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MONTANA DEPARTMENT OF JUSTICE GAMBLING CONTROL DIVISION BIENNIAL REPORT

Fiscal Years 1997 and 1998

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GAMING ADVISORY COUNCIL

November 1998

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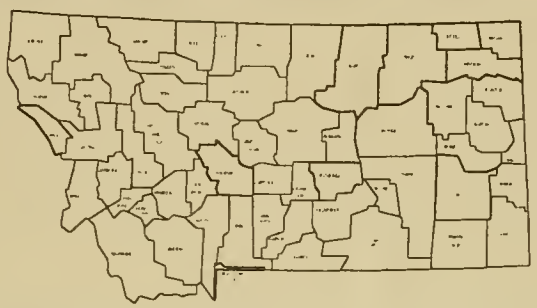
Public Policy of Montana Concerning Gambling



MCA-23-5-110. Public policy of state concerning gambling.

(1) The legislature finds that for the purpose of ensuring the proper gambling environment in this state it is necessary and desirable to adopt a public policy regarding public gambling activities in Montana. The legislature therefore declares it is necessary to:

(a) create and maintain a uniform regulatory climate that assures players, owners, tourists, citizens, and others that the gambling industry in this state is fair and is not influenced by corrupt persons, organizations, or practices;

(b) protect legal public gambling activities from unscrupulous players and vendors and detrimental influences;

(c) protect the public from unscrupulous proprietors and operators of gambling establishments, games, and devices;

(d) protect the state and local governments from those who would conduct illegal gambling activities that deprive those governments of their tax revenues;

(e) protect the health, safety, and welfare of all citizens of this state, including those who do not gamble, by regulating gambling activities; and

(f) promote programs necessary to provide assistance to those who are adversely affected by legalized gambling, including compulsive gamblers and their families.

(2) The legislature adopts the policy that an applicant for a license or permit or other department approval under parts 1 through 8 of this chapter does not have a right to the issuance of a license or permit or the granting of the approval sought. The issuance of a license or permit issued or other department approval granted pursuant to the provisions of parts 1 through 8 of this chapter is a privilege revocable only for good cause. A holder does not acquire a vested right in the license or permit issued or other department approval granted. A license or permit issued under parts 1 through 8 of this chapter may not be sold, assigned, leased, or transferred.

(3) Revenue to fund the expense of administration and control of gambling as regulated by parts 1 through 8 of this chapter must be derived solely from fees, taxes, and penalties on gambling activities, except the gambling activities of the Montana state lottery and the parimutuel industry.

23-5-111. Construction and application.

23-5-111. Construction and application. In view of Article III, section 9, of the Montana constitution, parts 1 through 8 of this chapter must be strictly construed by the department and the courts to allow only those types of gambling and gambling activity that are specifically and clearly allowed by those parts.

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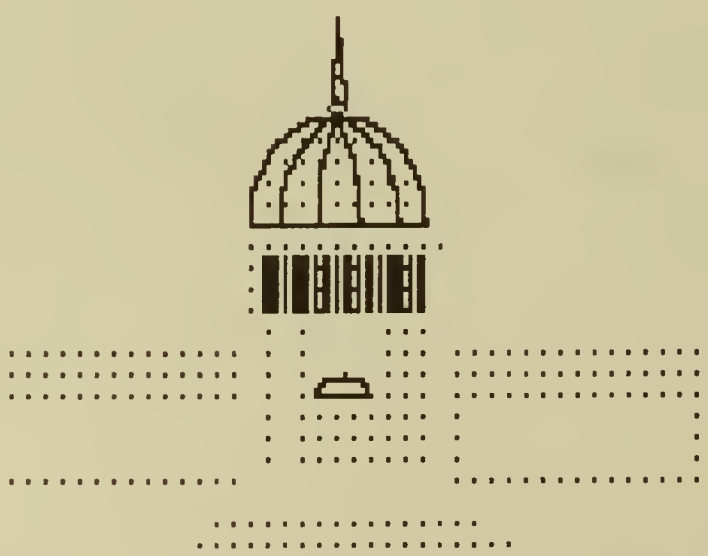

STATE OF MONTANA

DEPARTMENT OF JUSTICE

GAMBLING CONTROL DIVISION

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December 10, 1998

Honorable Members of the 56th
Montana Legislature
State Capitol
Helena, Mt 59620

Dear Legislators:

In compliance with Mont. Code Ann. §2-15-2021, I submit the following report of the Gambling Control Division of the Department of Justice and the Gaming Advisory Council.

In 1989, the Legislature enacted comprehensive public gambling laws through Senate Bill 431. The bill was to designed to create and maintain a uniform regulatory climate for gambling in Montana.

Since that date, the Department of Justice, Gambling Control Division has accomplished the goal of creating a uniform regulatory climate and is continuing to maintain that regulatory climate.

Since the 1997 legislative session, the Gambling Control Division has completed the following activities:

- Undergone a major reorganization of its internal structure, reducing the number of District Offices from three to two and operating in a more efficient and cost-effective manner;

- Modernized and upgraded telecommunications and computer technology in the headquarters office and all field offices;

- Conducted numerous public information and education workshops in communities all around the state for licensees, employees, law enforcement agencies, attorneys, and the public;

- Created a Department of Justice Web page on the Internet that includes all gambling laws and administrative rules, gambling statistics, a summary of Division administrative functions and management personnel, phone numbers for all field offices, and frequently asked questions about gambling in Montana;

- Coordinated licensing processes with the Department of Revenue, Liquor Bureau to better serve our customers and the public; and

- Provided staff and research to the Gaming Advisory Council as required by Mont. Code Ann. §2-15-121.

The purpose of this report is to provide basic information to assist you and the public in making public policy decisions on gambling issues. The report provides a statistical overview of gambling-related activities, a report on the collection and distribution of gambling revenues and a summary of efforts to acquire an automated accounting and reporting system in order to respond to concerns raised by the Legislative Auditor.

My office and the staff of the Gambling Control Division are available to provide assistance and answer your questions regarding the gambling laws, administrative rules, or Gambling Control Division activities. Administrator of the Division is Mr. Jim Oppedahl and he is available at the Division headquarters, 2550 Prospect Avenue, Helena and by telephone at (406) 444-9135.

Sincerely,

JOSEPH P. MAZUREK
Attorney General

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I. INTRODUCTION

A. Creation of Division

Prior to 1989, responsibility for regulating most forms of gambling in Montana rested with local governments. This decentralized system resulted in a diverse range of control over gambling activities in the state. Some cities and counties vigorously controlled gaming within their boundaries while other jurisdictions took a more relaxed stance. A consistent approach to gambling regulation was nonexistent.

Recognizing that a uniform regulatory climate would serve the best interest of the gambling industry, general public and local governments, the 1989 Legislature enacted Senate Bill No. 431,[1] a bill centralizing gambling regulation under the Department of Justice. Statutory duties assigned to the Department included adopting administrative rules, licensing gambling providers and activities, collecting and distributing gambling taxes, testing and approving video gambling machines, and enforcing the gambling laws. The Attorney General, as head of the Department, created the Gambling Control Division to assume these duties.

B. Types of Gambling Under Division Jurisdiction

The Gambling Control Division's jurisdiction extends to all forms of gambling except the Montana Lottery and horse racing.[2] The following sections describe the games regulated by the Division:

Video gambling machines. A video gambling machine is an electronic gambling device that, upon insertion of cash, is available to play poker, keno, or bingo. The machine uses a video display and microprocessors in which--by the skill of the player, by chance, or both--the player may receive free games or credits that may be redeemed for cash.

---

[1] Chapter 642, Laws of 1989.

[2] The Montana Lottery and horse racing are under the jurisdiction of the Montana Lottery Commission and the Board of Horse Racing, respectively.

Live card games. Montana law authorizes ten card games: bridge, cribbage, hearts, panguingue, pinochle, pitch, poker, rummy, solo, and whist. These are nonbanking card games in which players bet against and settle with each other rather than betting against and settling with the house.

Live bingo. Live bingo is played on a card bearing a printed design of five columns of five squares each, 25 squares in all. The letters B-I-N-G-O must appear above the design, with each letter above one of the columns. No more than 75 numbers may be used. One number must appear in each square, except for the center square, which may be considered a free play. Numbers are randomly drawn using authorized equipment until the game is won by the person or persons who first cover a previously designated arrangement of numbers on the bingo card.

Live keno. Live keno is played with a card containing eight horizontal rows and ten columns on which a player may pick up to ten numbers. A keno caller, using authorized equipment, selects at random at least 20 numbers out of the numbers between one and 80, inclusive. A player may win prizes by matching the numbers selected in whole or in part.

Sports pools. In a sports pool, a participant wagers money for a chance to win cash or other prizes based on the outcome of a sports event or series of sports events wherein the competitors are natural persons or animals. Several variations of sports pools are legal including the traditional sports pool, series sports pool, multiple way sports pool, selected point sports pool, blackout sports pool, weekly sweepstakes sports pool, and multiple competitor sports pool.

Sports tab games. A sports tab game is conducted on a card to which 100 sports tabs[3] are attached that have 100 different pairs of numbers. A person may purchase a sports tab from the card for the chance to win cash or other prizes based on the outcome of a sports event. A winner or winners are determined by matching the appropriate numbers on a participant's sports tab with the only or last digit of the competitors' score at the end of the sports event, and if designated before the event by the game's sponsor, at intervals during the sports event.

---

[3] A sports tab is a folded or banded ticket with a face covered to conceal a combination of two numbers, with each number ranging from zero through nine.

Raffles. A raffle is a gambling activity in which a participant purchases a ticket for a chance to win a prize through a random selection process.

Calcutta pools. A Calcutta pool is a form of auction pool conducted in conjunction with an event involving more than two competitors. Participants in the pool bid on the event's competitors, and a participant's wager is equal to his or her bid. The highest bid "purchases" the competitor, and pool proceeds are divided among participants according to a competitor's performance in the event.

Casino nights. A casino night is a fund-raising event conducted by a nonprofit organization during which wagers are made in certain gambling activities using imitation money. Only live card games that are legal in the state, live bingo, live keno, and raffles may be conducted during a casino night.

Fantasy sports leagues. A fantasy sports league consists of a limited number of persons or groups who pay an entrance fee for membership in the league. Each league member creates a fictitious team composed of athletes from a given professional sport. Each team then competes against the other teams in the league. Points are awarded to a team according to the performance of individual players or teams or both during a designated time period. A member may be eligible to receive a payout, which may be in cash or merchandise, based on the number of points accumulated.

Shake-a-day. Shake-a-day is a gambling activity in which a customer may once each day wager an amount of money, not to exceed 50 cents, and shake a number of dice in an attempt to roll a certain combination simulating a poker hand predetermined by the establishment. If the combination is rolled, the customer wins all money paid to play the game since the last winning combination was rolled.

Shaking for drinks or music. Shaking for a drink or music is a gambling activity in which a customer shakes or chooses one or more dice, alone or with an owner or employee of an establishment, to determine whether the customer or establishment will pay for the customer's drink or pay a predetermined amount of money, not to exceed $2, for music from a jukebox.

Fishing derbies. In a fishing derby, two or more persons pay valuable consideration for an opportunity to win a prize for the species, size, weight, or otherwise specified fish caught in a fishing event.

Wagering on natural occurrences. Wagering on a natural occurrence is a gambling activity in which a person pays valuable consideration for an opportunity to win a prize by most accurately predicting the date or time of an event resulting from a climatological or meteorological activity.

Tribal Gaming. Information on Tribal/State compacts is located in **Appendix E**.

C. Wager and Payout Limits

In some cases, the gambling laws impose specific wager and/or and payout limits on gaming activities. The following table lists the limits imposed on the games. Poker machine payouts were increased from $100 to $800, effective 10/1/95.

TABLE 1.1
Wager and Payout Limits

	WAGER	PAYOUT
Video Gambling Machines	$2	$800 Poker/Keno/Bingo
Live Card Games	None	$300
Live Bingo/Keno	$.50	$100
Raffles	None	$5,000 (Except Nonprofit)
Sports Pools/Tabs	$5	$500
Calcutta Pools	None	None
Shake-A-Day	$.50	None
Shaking for Drink	None	None
Shaking for Music	None	$2
Fishing Derbies and Natural Occurrences	None	None
Casino Nights	None	None
Fantasy Sports Leagues	None	None

Statistics on the amounts wagered on selected gambling activities in this state are contained in Table 1.2.

TABLE 1.2
Amount Wagered on Selected Gambling Activities
Fiscal Years 1996 Through 1998
(In Millions)

	1996	1997	1998
Live horse racing[1]	$ 3.7	3.7	3.1
Simulcast racing	6.0[2]	6.3[3]	7.1[4]
Commercial live keno	4.5	5.4	4.6
Commercial live bingo	7.3	8.8	7.7
Lottery	31.8	28.2	29.8
Video gambling machines	523.4	546.1	593.7
Totals	$576.7	$598.5	$646.0

[1] Live season covers May through September of each year.
[2] Covers winter season (October through May 1996) .
[3] Covers winter season (October through May 1997).
[4] Covers winter season (October through May 1998).

As noted above, in fiscal year 1996 Montanans and visitors to the state wagered $576.7 million on live and simulcast horse and dog racing, commercial live bingo and keno, lottery, and video gambling machines.[4] This figure grew to $646 million in fiscal year 1998, a 12 percent increase. Only video gambling machines experienced a significant increase (12 percent) in the total wagered during this three-year period. The annual amount wagered per Montana resident age 18 or older on these six gambling activities was approximately $995 in fiscal year 1998. As the graph on the following page illustrates, video gambling machines accounted for nearly 92 percent of the wagering on these gambling activities in fiscal year 1998, while live horse racing accounted for less than 1 percent.

[4]The amount wagered on video gambling machines is an estimate based on a sample of video gambling machine tax returns.

Montana Department of Justice-Gambling Control Division
Amounts Reported Wagered FY 98

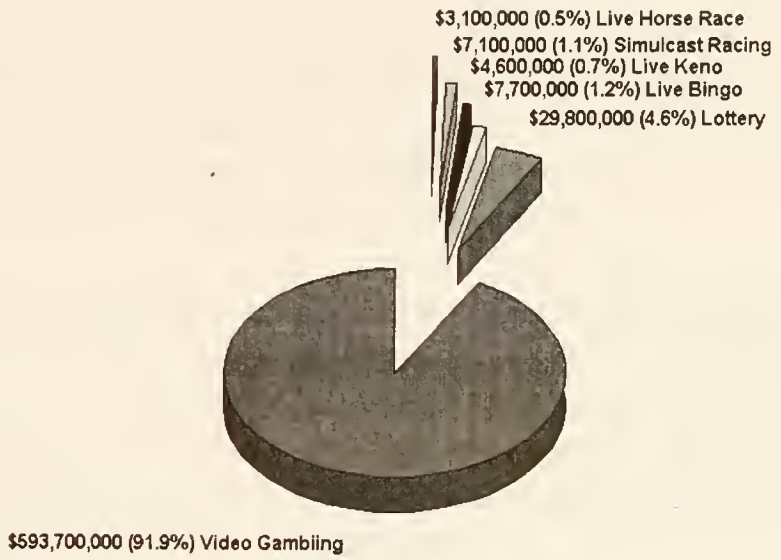
$3,100,000 (0.5%) Live Horse Race
$7,100,000 (1.1%) Simulcast Racing
$4,600,000 (0.7%) Live Keno
$7,700,000 (1.2%) Live Bingo
$29,800,000 (4.6%) Lottery
$593,700,000 (91.9%) Video Gambling

CHART 1

Reported Wagers FY 98

Live Horse Race	$3,100,000
Simulcast Racing	$7,100,000
Live Keno	$4,600,000
Live Bingo	$7,700,000
Lottery	$29,800,000
Video Gambling	$593,700,000
Total	$646,000,000

CHART 1

Ia. Automated Accounting and Reporting

In Fiscal Year 1993, the Office of the Legislative Auditor conducted a performance audit of the Gambling Control Division. The audit concluded that the state's current manual system of auditing video gambling machine revenues and taxes was inefficient and ineffective.

The Legislative Auditor suggested two alternatives to improve the division's audit abilities: (1) continue the manual system but significantly increase the number of employees in the division to audit machine records and determine that the proper amount of tax has been paid and to field test machine hardware and software; or (2) install an automated accounting and reporting system.

An automated accounting and reporting system (AARS) allows video gambling machines to communicate -- via telephone lines -- with a central computer system to verify that only approved gaming software is running on a gambling machine and to collect information on machine play -- credits in, credits played, credits won and credits paid. The system gathers the needed information by polling each video gambling machine for a few seconds each night.

An automated system significantly increases the ability to monitor that only approved games are offered on video gambling machines and to accurately calculate taxes due. The automated system would facilitate significant reductions in the paper work required both at the state level and by machine owners and operators. Problems that are detected could be corrected on a daily basis, rather than after quarterly reports are submitted and audited. In addition, an automated system would allow for streamlining the video gambling machine permitting system.

By using modern technology, the division would be able to ensure the accuracy of the taxes it must collect under law, confirm for the public and for machine owners that games are legal and fair, and carry out its regulatory responsibilities in an efficient manner that also minimizes the record keeping burdens that a manual system imposes on both the state and gambling machine owners and operators.

The Department of Justice twice proposed the automated accounting and reporting system option to the Legislature as the most cost-effective long range solution to the accounting and reporting problems identified by the Legislative Auditor. The proposals failed to pass in 1995 and 1997.

During the 1998-99 interim, the Department has worked with members of the gambling industry and interested parties to shape a proposal for the 1999 Legislative Session to address the need for an automated accounting and reporting system. Both the industry and the Department have agreed to support a unified proposal for an automated accounting and reporting system. The following list is not exhaustive but reflects the major features of that proposal:

- Participation by machine owners voluntary;
- 70% of connectable machines expected to participate;
- Loans to machine owners for conversion costs if they volunteer prior to January 1, 2001;
- Tax credits of up to $250 per machine for conversion costs during a two-year window of opportunity;
- Certain ownership changes trigger requirement to participate;
- Authorization for more than one approved game in a single machine;
- Authorization for voluntary electronic funds transfer and electronic issuance of permits;
- Authorization of sharing of accounting information;
- Authorization for certain site-controllers;
- Requirements that the Department minimize record keeping requirements for connected machines.

An approximate time-line for implementation of an automated accounting and reporting system, assuming that the Legislature passes and the Governor signs such legislation, would be:

4/23/99	End of legislative session
5/99	Department of Justice (DOJ) drafts a Request for Proposals (RFP)

7/99	DOJ issues draft RFP for comment
8/99	Comments on draft RFP
9/99	DOJ issues final RFP
11/99	Proposals received at DOJ
12/99	Contract signed with successful bidder
1/2000	Manufacturer notifications of communications protocols
7/2000	Beginning of central system installation, training of DOJ staff, installation of upgrade kits in video gambling machines, etc
12/2000	Final testing and acceptance
1/2001	System begins, first locations up and running

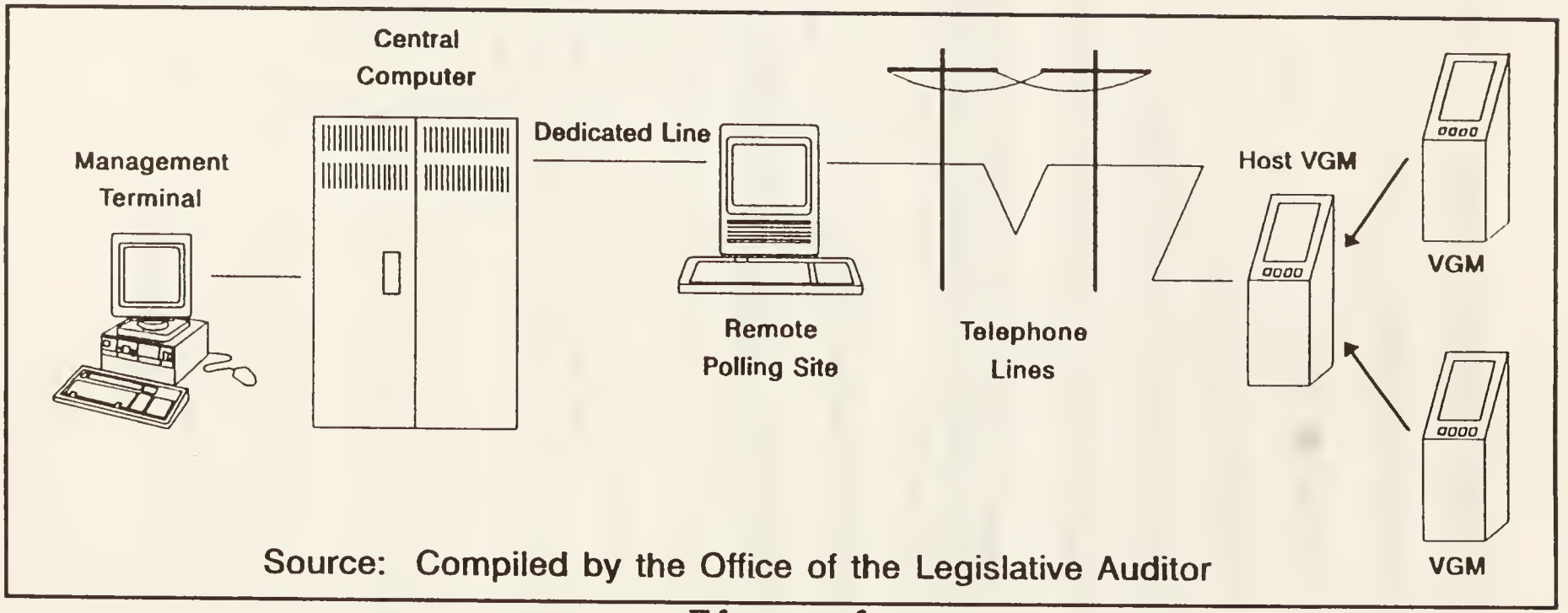

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Figure 1

Components of a Dial-Up System

II. GAMBLING LICENSES AND PERMITS

A. Introduction

The Gambling Control Division is directed by statute to provide licensing procedures, prescribe application forms, and grant or deny license applications (§23-5-115(3), MCA). According to §23-5-110(2), MCA, issuance of a license or permit is a privilege, not a right, that is revocable for good cause only. A licensee does not acquire a vested right in a license or permit and may not sell, assign, lease, or transfer a license or permit. All licenses and permits expire annually on June 30, except for a card dealer's license, which expires on the licensee's birthday.

Licensing process. To obtain a gambling license and related permits, a person must submit to the Gambling Control Division a completed application and supporting documents plus processing and licensing fees, if required. After receiving the application, the Division reviews it for minimum requirements, and the applicant is contacted in writing if additional information is needed. An investigation, including a financial review, is then conducted in the field. The applicant is again contacted if more documentation is necessary. A computerized Criminal Justice Information Network (CJIN) check on the applicant is conducted while the financial review is underway. The investigator interviews the applicant, conducts follow-up investigations, and inspects the applicant's premises. The investigation report and application materials are returned to the Division for a final determination on the applicant's suitability for licensure. Any licensing determination made by the Division, whether it be approval, conditional approval or denial, may be appealed to an independent hearing examiner appointed by the Division. After exhausting all administrative remedies, an applicant may appeal to state district court.

Qualifications for licensure. Section 23-5-176, MCA, provides that the Division must issue a license to an applicant unless the Division can demonstrate that the applicant:

(1) is a person whose prior activities or criminal record poses a threat to the public interest of the state; poses a threat to the effective regulation and control of

gambling; or creates a danger of illegal practices in the conduct of gambling;

(2) has been convicted of a felony offense within five years of the date of application or is on probation or parole or under deferred prosecution for committing a felony offense;

(3) is receiving a substantial amount of financing for the proposed operation from an unsuitable source; or

(4) has falsified a license or permit application.

Conditional licenses. Section 23-5-115, MCA, allows the Division to place conditions on a license. Typically a conditional license will state specific terms under which the licensee must operate in order to remain licensed, such as payment of video gambling machine taxes in full and on time. In some cases, the conditions require the licensee to supply additional information or documentation to the Division within a specified period of time. If the conditions are met, the Division will issue a standard license. If the conditions are not met, the Division may initiate revocation of the license.

B. Gambling Licenses

As required by statute and rule, the Gambling Control Division issues ten separate licenses for the following occupations:

- operator;
- card dealer;
- card room contractor;
- gambling device manufacturer;
- gambling device distributor;
- gambling device route operator;
- manufacturer of illegal gambling devices;
- sports tab game seller;
- electronic live bingo and keno equipment manufacturer; and
- antique slot machine dealer.

The following sections describe the licenses issued by the Division. License fee revenue collections and distribution are covered in Chapter IV.

Operator's licenses. Before a person may operate video gambling machines or live games, he or she must obtain an operator's license. In addition, a person seeking to conduct a live card game or operate video gambling machines must possess a license to sell alcoholic beverages for on-premises consumption. [5] For grandfathered off-premise liquor license locations that have Gambling Operator licenses, see Table 3.0 on the following page. A liquor license is not required to provide other forms of gambling except sports tabs.

- *Provisional licenses* were initially issued in 1989-90 when the state began regulating gambling.
- *Conditional licenses* are issued when certain stipulations or conditions are required of the operator in order to be licensed.
- *Probationary licenses* are issued with conditions for a specific period of time.

---

[5] Certain "grandfather" provisions allow card game table and video gambling machine permits to be issued to a person who legally operated a table or machine on January 15, 1989, but did not have a liquor license on that date (§23-5-306 and -611, MCA).

Table 3.0 Number of Grand fathered Off-Premise Liquor-Licensed Gambling Establishments			
Fiscal Year	# of Active Establishments	# of Conditional	Total
1991	46	6	52
1992	46	6	52
1993	46	6	52
1994	44	6	50
1995	41	6	47
1996	39	6	45
1997	38	6	44
1998	39	4	43
1999	37	4	41

As of September 1, 1998, the following number and type of gambling establishments were in operation:

On-Premise Liquor	1,636
Convenience Stores (grand fathered)	41
Fraternals, Non-profits	59
TOTAL licensed gambling establishments	1,736

The table on the next page lists the number and types of operator's licenses initially issued or renewed in fiscal years 1997 and 1998:

TABLE 3.1
Operator's Licenses Initially Issued or Renewed
Fiscal Years 1997 and 1998

Type of License	FY 1997	FY 1998
Standard	1,587	1,609
Provisional	46	39
Conditional	93	88
Probationary	02	17
Totals	1,728	1,753

Card dealer's licenses. A card dealer's license is required to deal cards in a game of poker or panguingue. An applicant may obtain a temporary 90-day dealer's license by completing and mailing to the Gambling Control Division the application materials obtained at a local driver license station. In fiscal year 1997, the Division issued 376 dealer's licenses; 395 licenses were issued in fiscal year 1998.

Card room contractor's licenses. Effective July 1, 1991, a person was permitted to contract with an operator to conduct live card game tables on the operator's premises, if the person obtained a license from the Gambling Control Division. At the time of application, the applicant must submit a copy of the agreement entered into with the operator. Thirty card room contractor's licenses were issued in fiscal year 1997 and 31 in fiscal year 1998.

Manufacturer-distributor-route operator licenses. The manufacturer-distributor-route operator license issued by the Division covers three different occupations involving gambling devices and equipment: manufacturer[6], distributor[7], and route

[6] A manufacturer is a person who assembles from raw materials or subparts a completed piece of equipment or pieces of equipment of any kind to be used as a gambling device.

[7] A distributor is a person who purchases or obtains equipment for use in gambling activities and who sells the equipment to another person for use in public.

operator[8]. The following table lists the number of manufacturer, distributor, and route operator licenses issued in fiscal years 1997 and 1998 according to occupation.

TABLE 3.2
Manufacturer, Distributor and Route Operator Licenses Issued By Occupation
Fiscal Years 1997 and 1998

Occupation Type	FY 1997	FY 1998
Manufacturer	6	4
Distributor	5	4
Route Operator	100	97
Manufacturer/Distributor	8	9
Distributor/Route Operator	12	12
Manufacturer/Distributor/Route Operator	2	2
Totals	133	128

Manufacturer's licenses for illegal devices. State law permits a person to manufacture gambling devices that are not legal in Montana, if a license is obtained from the Gambling Control Division. The Division licensed five businesses to manufacture illegal devices in fiscal year 1997 and four in fiscal year 1998.

Sports tab game seller licenses. In 1997, the Legislature eliminated the requirement for manufacturers of sports tabs to be licensed. Instead, the Legislature created a new license called, a "Sports Tab Game Seller" license for anyone wishing to sell sports tab cards in the state. Applications for this new license are available from the Gambling Control Division. The Division licensed no sports tab card manufacturers in fiscal years 1997 and 1998.

[8] A route operator is a person who purchases gambling devices or associated equipment and leases the devices or equipment to an operator for use in public.

Electronic live bingo or keno equipment manufacturer's licenses. Also in 1991, the Legislature required manufacturers of electronic live bingo or keno equipment[9] to be licensed by the Gambling Control Division before conducting business in the state. No electronic live bingo or keno equipment manufacturer's licenses were issued in fiscal year 1997 and 1998.

Antique slot machine dealer's licenses. The 1991 Legislature also created a license for the commercial sale of antique slot machines.[10] A person other than a licensed manufacturer-distributor may not sell more than three antique slot machines in a 12-month period without obtaining a license from the Gambling Control Division. The license may not be issued to a licensed gambling operator. The Division issued three antique slot machine dealer licenses in fiscal year 1997 and four in fiscal year 1998.

C. Gambling Permits

Once a person receives an operator's license, the licensee may obtain permits from the Gambling Control Division to conduct the following gambling activities:

- video gambling machines;
- live card game tables;
- card game tournaments; and
- live bingo and keno games.

A person need not be a licensed operator to conduct other legal gambling activities;[11] however, a permit must be obtained to conduct a raffle, Calcutta pool,

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[9] Electronic live bingo or keno equipment is an electronic device or system that uses a microprocessor to generate random numbers during a live bingo or keno game.

[10] An antique slot machine is defined as a mechanically or electronically operated slot machine that at any present time is more than 25 years old. It may be possessed, located, and operated only in a private residence or possessed or located for display purposes only and not for operation in a public museum.

[11] For example, although an operator's license is not needed to conduct shake-a-day, shaking for music or a drink, or sports tab games, a license for the on-premises consumption of alcoholic beverages is required.

or casino night. Raffle permits are issued by each board of county commissioners for raffles conducted within its jurisdiction. The Gambling Control Division is responsible for issuing Calcutta pool and casino night permits.

The following sections describe the permits issued by the Division. Permit fee revenue collections and distribution are covered in Chapter III.

Video gambling machine permits. A permit is required for each video gambling machine made available for play on an operator's premises. When a machine is moved from one location to another, a new permit must be issued for the machine. Table 3.3 provides data on the number of video gambling machine permits issued in fiscal years 1988 through 1998.

TABLE 3.3

Video Gambling Machine Permits Issued By Machine Type

Fiscal Years 1988 Through 1998

Fiscal Year	Poker	Keno	Bingo	Total
1988	4,564	3,786	112	8,462
1989	5,107	4,502	60	9,669
1990	6,220	4,729	22	10,971
1991	7,353	5,268	0	12,621
1992	7,910	6,455	0	14,365
1993	8,650	7,839	0	16,489
1994	8,428	8,612	0	17,040
1995	8,085	9,466	0	17,551
1996	8,290	10,289	8	18,587
1997	8,344	11,123	20	19,487
1998	7,776	11,174	1	18,951

In FY 1986-87, the state licensed only video poker machines.

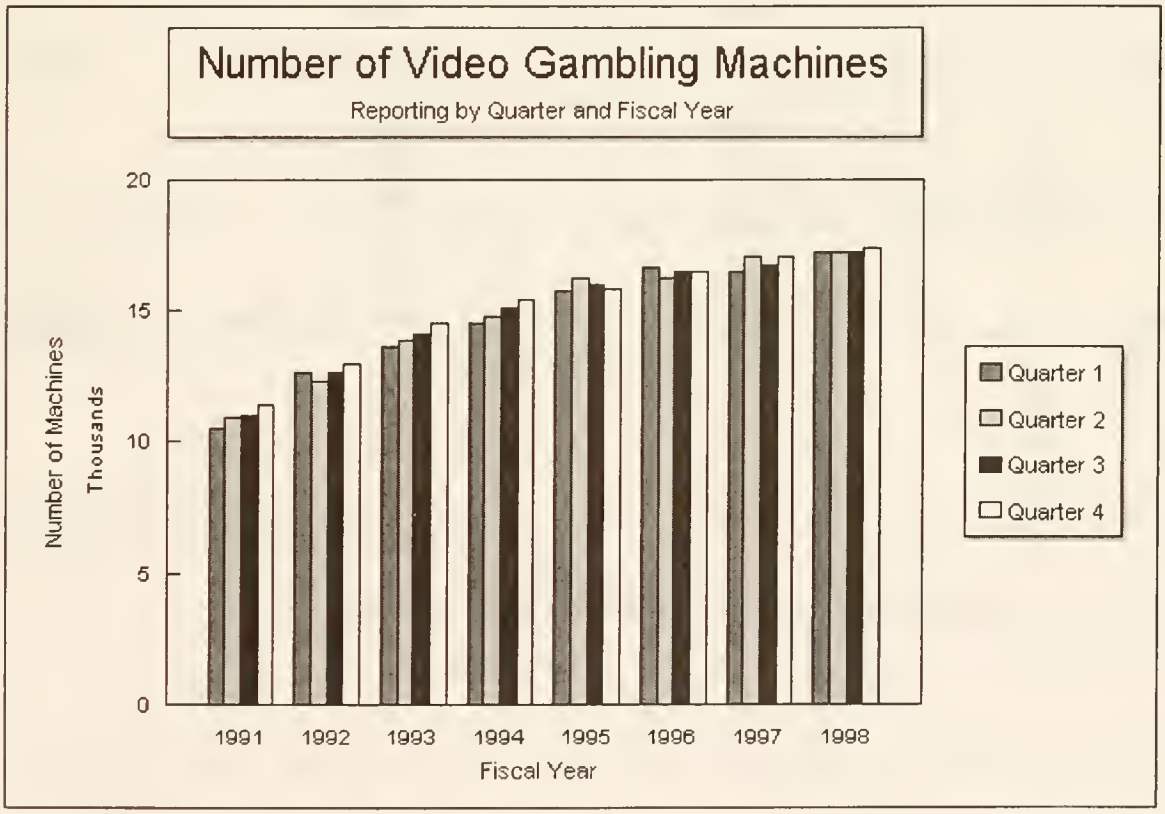
Because a video gambling machine must be issued a new permit each time it changes locations, the number of permits issued is not equivalent to the number of machines operating in a given fiscal year. A more accurate reflection of the number of active machines is the number of machines reporting income for video gambling machine tax purposes. Table 3.4 and the graph on the following page provide information on the number of reporting machines for fiscal years 1990 through 1998.

TABLE 3.4

Number of Video Gambling Machines Reporting Income

Fiscal Years 1990 Through 1998

Fiscal Year	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
1990	9,231	9,698	9,975	10,268
1991	10,526	10,939	11,046	11,390
1992	12,650	12,300	12,658	12,937
1993	13,641	13,891	14,116	14,540
1994	14,510	14,803	15,072	15,411
1995	15,757	16,277	16,004	15,844
1996	16,646	16,235	16,494	16,455
1997	16,515	17,069	16,771	17,035
1998	17,192	17,201	17,250	17,397



An operator may place up to 20 video gambling machines of any legal type (i.e., poker, bingo, or keno) on his or her premises. Table 3.5 provides data on the number of premises with a specific number of machines as of June 30, 1998.

TABLE 3.5
Number of Video Gambling Machine Permits Issued Per Premises
As of June 30, 1998

No. of Machines on Premises	No. of Premises	Machines	Total Percent Premises	Total Percent Machines
1	50	50		
2	92	184		
3	112	336		
4	156	624		
5	143	715		
Totals	**553**	**1,909**	**33.3%**	**11.7%**
6	137	822		
7	91	637		
8	105	840		
9	73	657		
10	72	720		
Totals	**478**	**3,676**	**30.2%**	**22.4%**
11	53	583		
12	45	540		
13	35	455		
14	39	546		
15	30	450		
Totals	**202**	**2,574**	**12.2%**	**15.7%**
16	42	672		
17	27	459		
18	31	558		
19	20	380		
20	306	6,120		
Totals	**426**	**8,189**	**25.7%**	**50.1%**

Total Premises - 1,659 **Total Machines - 16,348**

As indicated on the previous page, over one-third of the premises (33.3 percent) operate from one to five video gambling machines, which in total comprise about 11.7 percent of the machines in play. In contrast, approximately 25.7 percent of the premises offer from 16 to 20 video gambling machines, which represents 50.1 percent of the machines in play. The average number of machines per premises is approximately 10.

Live bingo and keno permits. A live bingo and keno permit allows commercial operators to conduct either game or both games on their premises for a fee of $250. Certain groups are exempt from the fee: nonprofit organizations qualified under 26 U.S.C. 501(c)(3), (4), (8), or (19) that qualified for the federal exemption on or before January 15, 1989; long-term care facilities; retirement homes; and senior citizen centers. Nonprofit organizations that qualified for the federal exemption after January 15, 1989, are exempt from one-half of the fee. Table 3.6 lists the number of live bingo and keno permits issued according to the type of game offered for fiscal years 1992 through 1998.

TABLE 3.6
Number of Live Bingo and Keno Permits Issued
Fiscal Years 1992 Through 1998

Type of Licensee	Type of Game	Fiscal Years 1994	1995	1996	1997	1998
Commercial Establishment	Bingo	36	33	33	25	38
	Keno	39	34	32	33	33
	Bingo/Keno	9	4	5	5	7
	Subtotal	84	71	70	63	78
Exempt Organization	Bingo	59	67	60	57	59
	Keno	2	1	1	1	1
	Bingo/Keno	0	1	0	1	1
	Subtotal	61	69	61	59	61
	Total	145	140	131	122	139

Live card game table permits. A live card game table permit is required to conduct any legal card game involving gambling. The permit fee is $250 for the first table operating in an establishment and $500 for each additional table. Table 3.7, below, lists the number of live card game table permits issued for fiscal years 1992 through 1998.

TABLE 3.7
Number of Live Card Game Table Permits Issued
Fiscal Years 1992 Through 1998

Fiscal Year	First Table	Additional Tables	Total
1992	233	50	283
1993	215	59	274
1994	209	55	264
1995	210	61	271
1996	207	57	264
1997	206	48	254
1998	192	42	234

Card game tournament permits. An operator with at least one live card game table permit may conduct up to 12 live card game tournaments a year. Each tournament may be conducted for up to five consecutive days, and at least seven days must lapse between tournaments.

FY1992	1993	1994	1995	1996	1997	1998
57	67	105	122	140	168	131

Calcutta pool permits. A description of a Calcutta pool can be found on page 3.

FY1992	1993	1994	1995	1996	1997	1998
63	62	57	69	75	79	89

Casino nights. Authorization to conduct casino nights was effective July 1, 1991. A description of a casino night can be found on page 3.

FY1992	1993	1994	1995	1996	1997	1998
12	14	15	25	19	15	18

III. GAMBLING REVENUES

Gambling revenues are generated from three main sources: taxes, permit fees, and license fees. This chapter describes these revenue sources, the amount collected from each source, and distribution of the revenue. A description of the permits and licenses issued by the Gambling Control Division and statistics on the number issued are contained in Chapter III.

A. Gambling Taxes

The Gambling Control Division collects taxes on the following gambling activities:

- video gambling machines;
- live bingo;
- live keno; and
- sports tab games.

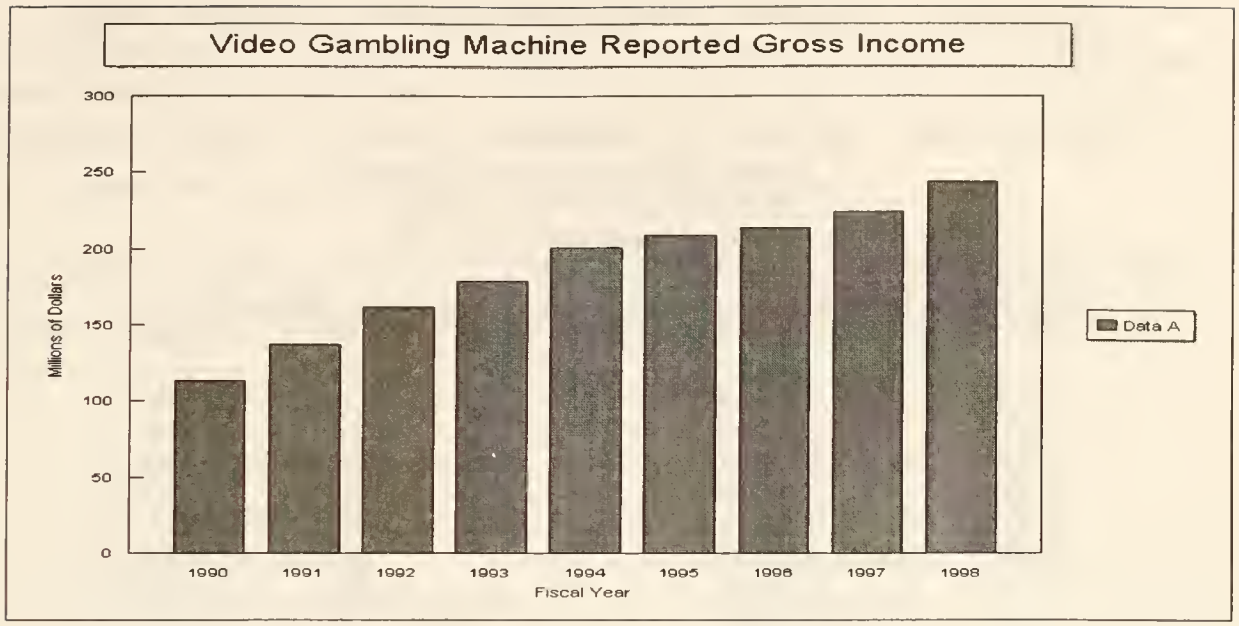
The following sections describe the taxes collected by the Division. A summary of the gambling taxes is contained in Appendix A.

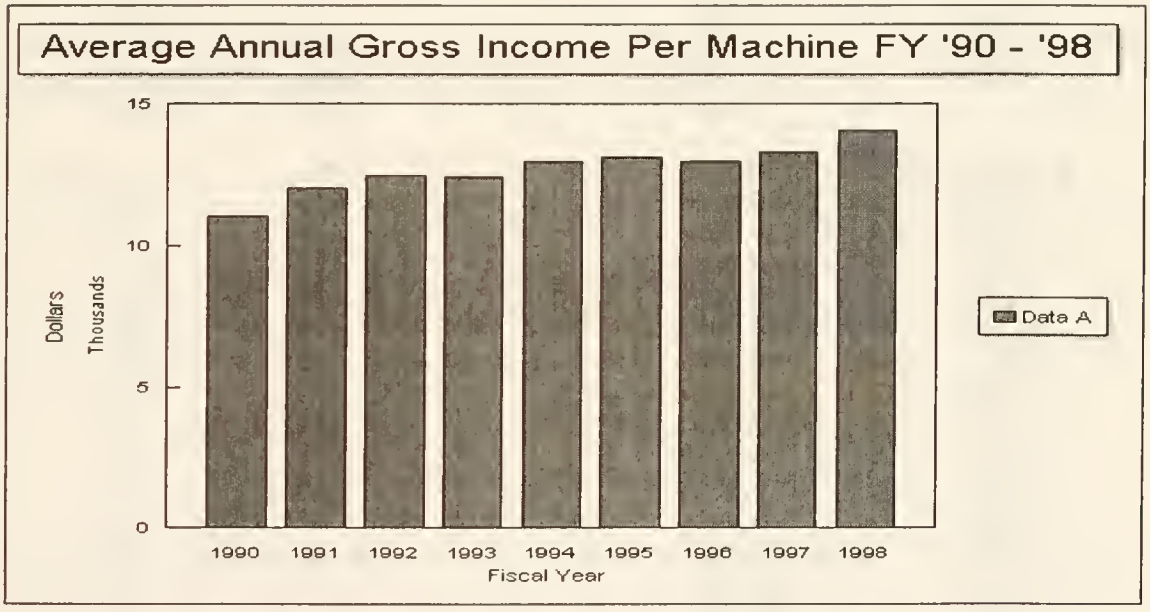
Video gambling machine gross income tax. The tax on video gambling machines is based on a percentage of machine gross income. Gross income is defined as the money put into a machine minus credits paid out in cash. Table 4.1 below and the graphs on the following page provide data on the total machine gross income and average gross income per machine for fiscal years 1990 through 1998.

TABLE 4.1
Total Video Gambling Machine Annual Gross Income
And Average Annual Gross Income Per Machine
Fiscal Years 1990 Through 1998

Fiscal Year	No. of Machines[1]	Total Annual Gross Income	Average Annual Gross Income Per Machine
1990	10,268	$113,363,300	$11,040
1991	11,390	137,044,407	12,032
1992	12,937	161,732,920	12,502
1993	14,540	178,900,000	12,304
1994	15,411	200,300,000	12,997
1995	15,844	208,072,577	13,133
1996	16,455	213,565,116	12,979
1997	16,847	223,915,165	13,291
1998	17,260	$243,439,329	$14,104

[1]Machines reporting income for tax purposes for fourth quarter in each fiscal year.





The annual gross income for all machines in fiscal year 1988 was $70 million; this figure grew to $243.4 million in fiscal year 1998, a 190 percent increase. Average gross income per machine increased 42 percent during this same period, from $9,161 in fiscal year 1988 to $14,104 in fiscal year 1998.

The table on the following page pertains to video gambling machines that operated at the same location for an entire year during fiscal years 1997-1998; the data

show the number of machines reporting annual gross income within income categories.

TABLE 4.2
Number of Video Gambling Machines[1]
By Annual Gross Income Category
Fiscal Years 1997 and 1998

Annual Gross Income			Number of Machines FY 97	Number of Machines FY 98
$ 0	-	$ 500	17	65
501	-	1,000	101	138
1,001	-	2,000	327	340
2,001	-	3,000	381	477
3,001	-	4,000	445	477
4,001	-	5,000	447	491
		Total	**1,718**	**1,988**
$ 5,001	-	$ 6,000	440	429
6,001	-	7,000	423	375
7,001	-	8,000	354	391
8,001	-	9,000	332	367
9,001	-	10,000	309	282
		Total	**1,858**	**1,844**
$ 10,001	-	$ 15,000	1,202	1,238
15,001	-	20,000	825	825
20,001	-	25,000	615	722
25,001	-	30,000	477	627
30,001	-	35,000	438	493
35,001	-	40,000	305	363
40,001	-	45,000	235	282
45,001	-	50,000	152	180
50,001	-	55,000	126	138
55,001	-	60,000	79	75
60,001	-	65,000	29	48
65,001	-	70,000	27	32
70,001	-	75,000	14	22
75,001	-	80,000	11	18
80,001	-	85,000	2	11
85,001	-	90,000	1	3
90,001	-	95,000	4	1
95,001	-	100,000	2	1
100,001	-	110,000	1	1
		Total	**4,547**	**5,083**
Total machines (All categories)			**8,123**	**8,915**

[1] Includes machines operating in the same location for an entire year.

Slightly less than half of the video gambling machines operating in the same location during fiscal year 1997 or 1998 had gross incomes of $10,000 or less. Slightly more than one-fourth of all machines (for fiscal years 1997 and 1998, respectively) fell into the $10,001 to $20,000 income range.

Licensed Route Operators own nearly two-thirds of the permitted video gambling machines in play. Comparison of machine ownership by licensed establishment and route operator:

10 largest route operators	**7,815 vgms**
Other route operators	3,347 vgms
Establishment owned	5,186 vgms
Total number of vgms (9/1/98)	**16,348 vgms**

Average gross income produced by video gambling machines varies by the number of machines located in an establishment in FY 1998:

VGMs	Total VGMs	Avg. Income/VGM/year
1 - 4	605	$6,161
5 - 9	1,788	$7,550
10 - 15	1,122	$9,010
16 - 19	472	$12,154
20	1,420	$23,127

Table 4.3 on the following page provides fiscal year 1997 and 1998 data on total video gambling machine gross income (i.e., money put in machines minus credits paid out in cash) received by establishments that had at least one machine operating for 90 days or more in each quarter of the fiscal year.

TABLE 4.3
Number of Establishments[1]
By Annual Video Gambling Machine Gross Income
Fiscal Years 1997 and 1998

Annual Gross Income			Number of Establishments			
			FY 97	% of Total	FY 98	% of Total
$ 0	-	$ 1,000	4		8	
1,001	-	2,000	13		15	
2,001	-	3,000	11		16	
3,001	-	4,000	24		19	
4,001	-	5,000	13		14	
5,001	-	6,000	16		17	
6,001	-	7,000	10		18	
7,001	-	8,000	14		12	
8,001	-	9,000	8		11	
9,001	-	10,000	5		9	
10,001	-	11,000	11		10	
11,001	-	12,000	7		16	
12,001	-	13,000	7		7	
13,001	-	14,000	7		12	
14,001	-	15,000	14		[illegible]	
15,001	-	16,000	16		[illegible]	
16,001	-	17,000	7		12	
17,001	-	18,000	15		12	
18,001	-	19,000	6		9	
19,001	-	20,000	10		11	
20,001	-	21,000	13		6	
21,001	-	22,000	7		9	
22,001	-	23,000	11		6	
23,001	-	24,000	10		10	
24,001	-	25,000	8		6	
		Total	267	29%	298	30%
$ 25,001	-	$ 50,000	165		163	
50,001	-	75,000	103		88	
75,001	-	100,000	72		71	
		Total	340	36%	322	33%
$ 100,001	-	$ 125,000	46		56	
125,001	-	150,000	36		34	
150,001	-	175,000	21		20	
175,001	-	200,000	15		15	
200,001	-	225,000	14		14	
225,001	-	250,000	21		15	
250,001	-	275,000	12		12	
275,001	-	300,000	19		9	
300,001	-	400,000	31		44	
400,001	-	500,000	36		36	
500,001	-	600,000	31		42	
600,001	-	700,000	22		23	
700,001	-	800,000	12		23	
800,001	-	900,000	8		4	
900,001	-	1,000,000	3		2	
1,000,001	-	1,100,000	3		4	
1,100,001	-	1,200,000	0		4	
1,200,001	-	1,300,000	1		0	
1,300,001	-	1,400,000	0		2	
1,400,001	-	1,500,000	0		0	
>1,500,000			0		0	
		Total	331	35%	359	37%
		Grand Total	938	100%	979	100%

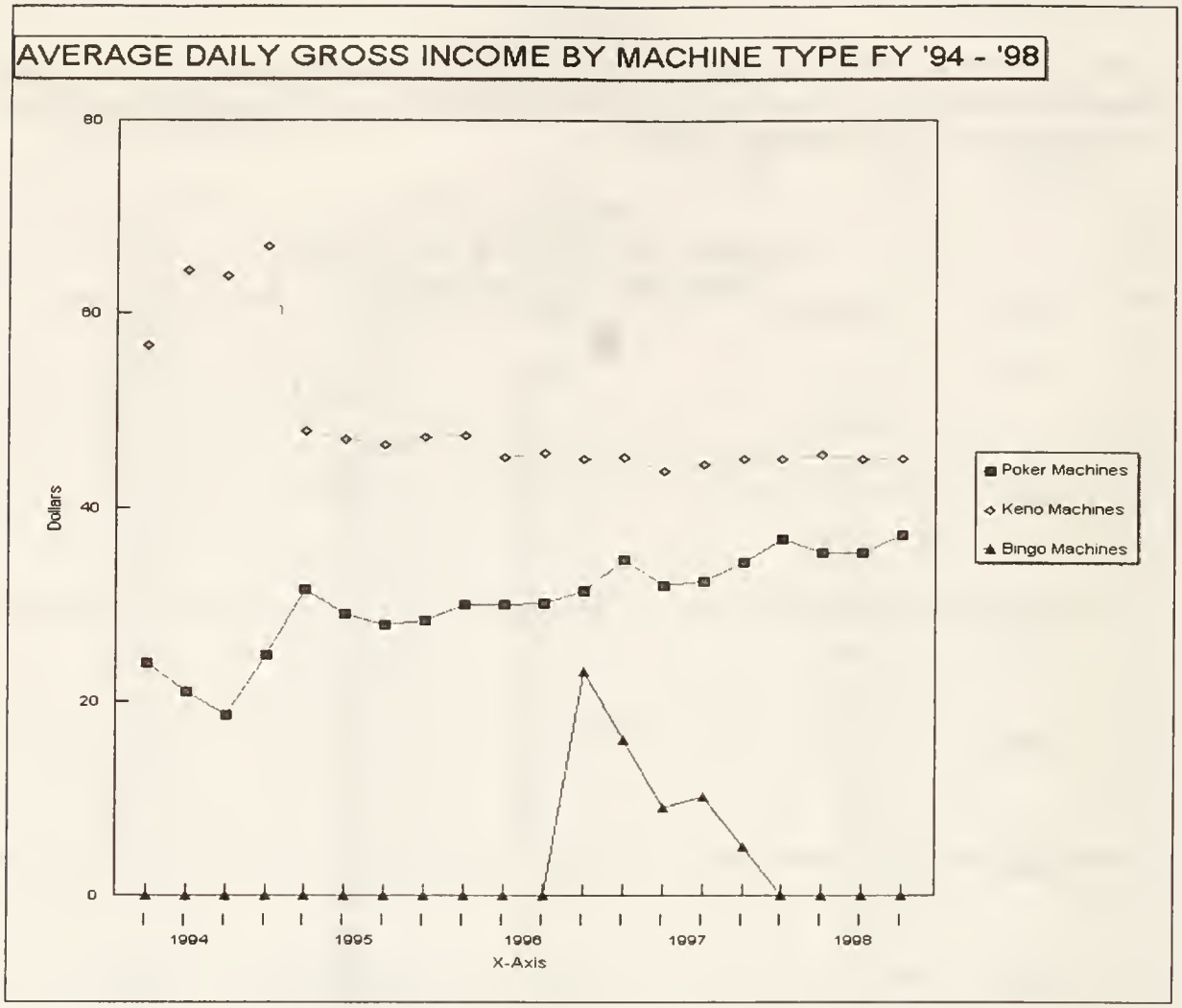
[1] Establishments with one or more machines operating for 90 days in each quarter.

Table 4.4 below and the graph on the following page provide data on the average daily gross income for video gambling machines by machine type and by quarter for fiscal years 1990 through 1998.

TABLE 4.4
Average Daily Gross Income by Machine Type
Fiscal Years 1990 Through 1998

Fiscal Yr	Quarter	Poker	Keno	Bingo
1990	1st	$34	$33	$11
	2nd	32	36	9
	3rd	32	38	7
	4th	32	40	8
1991	1st	$31	$48	$-[1]
	2nd	28	46	-
	3rd	29	47	-
	4th	30	48	-
1992	1st	$31	$45	-
	2nd	30	46	-
	3rd	30	48	-
	4th	30	47	-
1993	1st	$32	$48	-
	2nd	28	46	-
	3rd	28	46	-
	4th	29	47	-
1994	1st	$32	$50	-
	2nd	29	49	-
	3rd	29	50	-
	4th	29	48	-
1995	1st	$32	$48	-
	2nd	29	47	-
	3rd	28	46	-
	4th	28	47	-
1996	1st	$30	$47	-
	2nd	30	45	-
	3rd	30	46	-
	4th	31	45	$23
1997	1st	$35	$45	-
	2nd	32	44	-
	3rd	32	44	-
	4th	34	45	-
1998	1st	$37	$45	-
	2nd	35	45	-
	3rd	35	45	-
	4th	37	45	-

[1] No approved bingo machines operating in the state beginning first quarter of fiscal year 1991 through third quarter fiscal year 96 and in fiscal years 97-98.

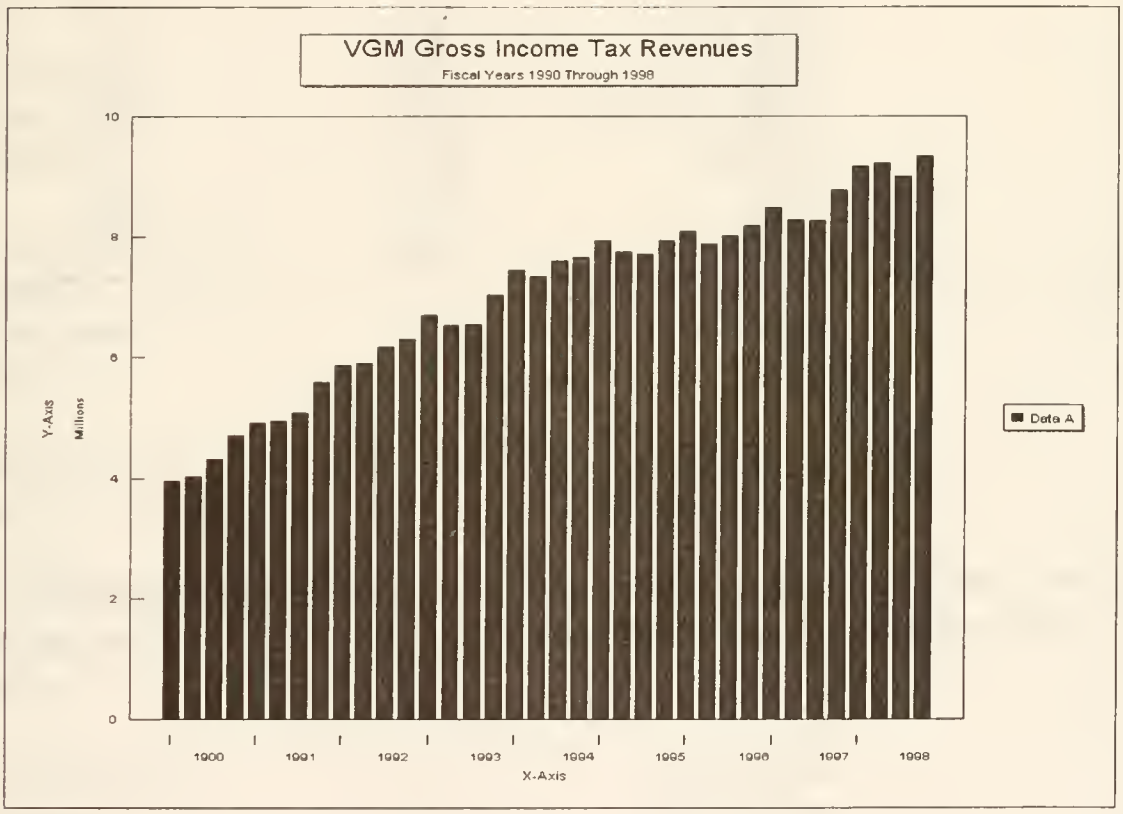


Since fourth quarter of fiscal year 1991, the daily income for poker machines has generally stabilized at around $30 with slight increases 1996-98. Video keno machines experienced a steady increase in daily gross income until the advent of $800 poker machines in fiscal year 1995 and then have generally stabilized as well. Several factors may account for the differences in daily gross between poker and keno machines. Keno machines, for instance, may attract more play because of their higher maximum payout during most of this time period ($800 for keno compared with $100 for poker). See page 18 for a comparison of the number of each type of video gambling machine in play.

The tax on video gambling machines is equal to 15 percent of gross machine income. It is collected on a quarterly basis, and payment is due within 15 days after the end of the quarter. The following table and graph show the video gambling machine tax revenue collected by quarter from fiscal year 1990 through 1998.

TABLE 4.5
Video Gambling Machine Gross Income Tax Revenues
Fiscal Years 1990 Through 1998

Fiscal Year	First Qtr	Second Qtr	Third Qtr	Fourth Qtr	Total	% Change
1990	3,949,782	4,024,386	4,317,195	4,713,132	17,004,495	26%
1991	4,919,102	4,959,603	5,082,883	5,595,073	20,556,661	21%
1992	5,866,027	5,906,815	6,180,904	6,306,192	24,259,938	18%
1993	6,698,211	6,538,173	6,560,840	7,041,764	26,838,988	11%
1994	7,451,739	7,338,880	7,603,432	7,658,536	30,052,587	12%
1995	7,950,043	7,748,440	7,708,615	7,940,884	31,347,982	4.3%
1996	8,097,592	7,893,431	8,013,103	8,194,797	32,198,923	2.7%
1997	8,492,318	8,277,017	8,267,308	8,771,913	33,808,556	4.9%
1998	9,166,429	9,212,390	8,995,324	9,304,888	36,679,031	8.5%



As noted in Table 4.5, tax revenues have doubled between fiscal years 1990 and 1998.

One-third of the tax revenue from video gambling machines is deposited into the state general fund. The remaining two-thirds is distributed to the county,[13] city, or town where each machine is located for deposit in the county or municipal treasury. Table 4.6 lists the amount of tax revenue distributed to the state general fund and local governments in fiscal years 1990 through 1998.

TABLE 4.6
Distribution of Video Gambling Machine Gross Income Tax Revenue
Fiscal Years 1990 Through 1998
(In Millions)

Fiscal Year	State Gen. Fund (1/3)	Local Gov't. (2/3)	Total
1990	5.7	11.3	17.0
1991	6.8	13.7	20.5
1992	8.1	16.1	24.2
1993	8.9	17.9	26.8
1994	10.0	20.0	30.0
1995	10.5	20.8	31.3
1996	10.7	21.5	32.2
1997	11.3	22.5	33.8
1998	12.2	24.5	36.7

Table 4.6a on the following pages breaks out revenue distribution to cities and counties in Montana in fiscal years 1997 and 1998.

[13] A county receives income from those machines operating within its boundaries that are not located in an incorporated city or town.

TABLE 4.6 a
Distribution of Video Gambling Machine Gross Income Tax Revenue
To Cities and Counties
Fiscal Years 1997 and 1998

CITY/COUNTY	FY 97	FY 98
01 BUTTE/SILVERBOW	$1,416,622.41	$1,612,108.90
WALKERVILLE	$6,663.99	$5,111.94
02 CASCADE CO	$263,347.20	$276,196.22
BELT	$24,413.33	$23,326.67
CASCADE	$16,894.00	$20,324.00
GREAT FALLS	$2,247,785.74	$2,485,423.80
NEIHART	$840.00	$763.34
03 YELLOWSTONE CO	$216,997.08	$365,346.63
BILLINGS	$3,745,401.22	$3,885,123.40
BROADVIEW	$6,779.33	$3,569.33
LAUREL	$240,528.01	$280,336.00
04 MISSOULA CO	$499,622.28	$563,781.25
MISSOULA	$1,970,743.07	$2,030,671.38
05 LEWIS & CLARK CO	$177,874.38	$187,594.83
EAST HELENA	$134,486.47	$163,866.87
HELENA	$1,123,196.29	$1,210,042.96
06 GALLATIN CO	$131,209.34	$139,929.27
BELGRADE	$156,951.99	$164,682.67
BOZEMAN	$658,970.01	$726,909.33
MANHATTAN	$26,399.33	$25,103.33
THREE FORKS	$25,960.00	$24,672.00
WEST YELLOWSTONE	$86,792.93	$86,560.67
07 FLATHEAD CO	$534,435.24	$546,924.72
COLUMBIA FALLS	$217,173.99	$251,674.67
KALISPELL	$1,067,136.27	$1,002,945.33
WHITEFISH	$242,320.67	$253,818.66

CITY/COUNTY	FY 97	FY 98
08 FERGUS CO	$28,605.38	$25,029.30
DENTON	$3,296.33	$1,383.34
GRASS RANGE	$4,056.67	$4,206.01
LEWISTOWN	$254,785.96	$252,798.00
MOORE	$4,300.67	$2,374.01
WINIFRED	$3,417.33	$2,842.66
09 POWDER RIVER CO	$60.10	$0.00
BROADUS	$21,493.32	$24,750.67
10 CARBON CO	$42,797.68	$49,226.98
BEARCREEK	$584.80	$445.33
BRIDGER	$55,657.67	$67,762.67
FROMBERG	$4,811.33	$4,929.34
JOLIET	$5,765.33	$5,024.67
RED LODGE	$87,401.99	$74,308.00
11 PHILLIPS CO	$502.10	$7,953.48
DODSON	$5,229.34	$5,098.00
MALTA	$72,561.01	$73,869.33
SACO	$2,002.66	$1,818.67
12 HILL CO	$76,516.70	$83,219.37
HAVRE	$433,034.01	$444,738.26
HINGHAM	$0.00	$0.00
13 RAVALLI CO	$91,758.25	$125,452.67
DARBY	$15,468.90	$18,370.00
HAMILTON	$312,528.87	$354,641.43
STEVENSVILLE	$48,366.01	$42,403.33
14 CUSTER CO	$18,793.62	$18,954.01
MILES CITY	$349,882.67	$373,921.35
15 LAKE CO	$20,381.66	$98,359.68
POLSON	$0.00	$175,293.33
RONAN	$0.00	$146,291.34
ST. IGNATIUS	$0.00	$0.00

CITY/COUNTY	FY 97	FY 98
16 DAWSON CO	$83,389.47	$87,479.95
GLENDIVE	$186,476.40	$190,517.34
RICHEY	$1,918.67	$2,232.00
17 ROOSEVELT CO	$68,933.65	$71,806.52
BAINVILLE	$18,395.33	$23,779.34
BROCKTON	$839.99	$1,562.00
CULBERTSON	$9,384.00	$33,619.34
FROID	$5,669.33	$7,552.01
POPLAR	$39,892.07	$38,003.01
WOLF POINT	$75,399.34	$62,318.66
18 BEAVERHEAD CO	$26,870.85	$26,424.95
DILLON	$163,559.33	$154,573.87
LIMA	$4,702.00	$5,698.67
19 CHOUTEAU CO	$10,323.88	$10,627.56
BIG SANDY	$33,700.67	$30,747.34
FORT BENTON	$24,915.33	$27,916.00
GERALDINE	$5,342.67	$2,173.33
20 VALLEY CO	$63,250.09	$62,080.32
GLASGOW	$68,924.53	$74,734.00
NASHUA	$5,204.00	$2,975.99
OPHEIM	$3,996.66	$3,614.00
FORT PECK	$262.00	$421.34
21 TOOLE CO	$24,207.74	$25,446.59
KEVIN	$6,506.67	$9,651.34
SHELBY	$151,264.67	$167,153.33
SUNBURST	$5,119.99	$5,254.01
22 BIG HORN CO	$7,332.84	$9,186.69
HARDIN	$260,850.67	$262,378.00
23 MUSSELSHELL CO	$11,880.18	$7,464.40
MELSTONE	$1,735.99	$1,432.00
ROUNDUP	$62,256.01	$69,626.93

CITY/COUNTY	FY 97	FY 98
24 BLAINE CO	$6,989.33	$6,786.37
CHINOOK	$68,796.67	$76,650.67
HARLEM	$50,604.00	$41,979.33
25 MADISON CO	$31,905.45	$30,891.77
ENNIS	$29,565.99	$26,581.74
SHERIDAN	$6,310.66	$6,930.00
TWIN BRIDGES	$1,181.58	$581.32
VIRGINIA CITY	$14,563.33	$13,838.00
26 PONDERA CO	$15,477.16	$27,901.20
CONRAD	$90,774.67	$87,030.11
VALIER	$8,113.34	$7,409.33
27 RICHLAND CO	$19,471.02	$17,573.08
FAIRVIEW	$29,909.34	$32,758.66
SIDNEY	$205,268.00	$208,232.67
28 POWELL CO	$26,294.59	$32,140.80
DEER LODGE	$141,784.66	$146,256.53
29 ROSEBUD CO	$124,203.27	$127,852.45
FORSYTH	$64,381.93	$79,176.06
30 ANACONDA/D.LODGE	$361,805.85	$392,167.35
31 TETON CO	$8,538.43	$12,267.64
CHOTEAU	$42,261.33	$41,555.47
DUTTON	$9,408.66	$8,050.00
FAIRFIELD	$19,026.66	$19,975.33
32 STILLWATER CO	$56,349.96	$53,525.00
COLUMBUS	$112,200.54	$106,697.33
33 TREASURE CO	$385.60	$0.00
HYSHAM	$1,603.34	$1,508.67
34 SHERIDAN CO	$7,664.54	$10,488.06

CITY/COUNTY	FY 97	FY 98
MEDICINE LAKE	$4,383.33	$5,582.00
OUTLOOK	$358.67	$274.66
PLENTYWOOD	$51,815.53	$60,113.99
WESTBY	$5,640.67	$8,304.00
35 SANDERS CO	$48,792.29	$49,163.19
HOT SPRINGS	$0.00	$3,928.67
PLAINS	$65,945.59	$73,647.05
THOMPSON FALLS	$71,308.00	$76,422.66
36 JUDITH BASIN CO	$10,821.34	$12,351.43
HOBSON	$5,840.67	$8,830.00
STANFORD	$6,818.68	$8,887.34
37 DANIELS CO	$1,972.82	$3,656.07
FLAXVILLE	$5,278.66	$4,389.34
SCOBEY	$32,999.67	$33,441.33
38 GLACIER CO	$118.05	$1,008.22
BROWNING	$0.00	$0.00
CUT BANK	$175,830.67	$205,963.32
39 FALLON CO	$1,546.00	$827.27
BAKER	$53,994.67	$61,646.66
PLEVNA	$1,362.66	$1,113.33
40 SWEET GRASS CO	$6,756.67	$12,302.66
BIG TIMBER	$39,405.33	$40,030.00
41 MCCONE CO	$1,120.34	$2,711.29
CIRCLE	$10,717.99	$10,689.34
42 CARTER CO	$344.76	$588.17
EKALAKA	$11,869.32	$11,815.07
43 BROADWATER CO	$61,045.33	$57,937.09
TOWNSEND	$66,602.67	$71,875.32
44 WHEATLAND CO	$10,953.00	$13,480.00

CITY/COUNTY	FY 97	FY 98
HARLOWTON	$23,444.85	$22,557.16
JUDITH GAP	$3,375.99	$3,058.67
45 PRAIRIE CO	$912.71	$847.33
TERRY	$14,141.33	$14,896.66
46 GRANITE CO	$17,782.01	$12,297.68
DRUMMOND	$13,398.66	$12,914.73
PHILIPSBURG	$30,614.67	$29,246.00
47 MEAGHER CO	$7,343.22	$7,566.50
WHITE SULPHUR SPR	$36,261.34	$46,868.67
48 LIBERTY CO	$1,672.67	$1,587.81
CHESTER	$26,030.66	$28,261.34
49 PARK CO	$87,492.39	$103,850.52
CLYDE PARK	$7,246.68	$9,234.00
LIVINGSTON	$272,644.68	$316,293.33
50 GARFIELD CO	$1,927.05	$1,780.00
JORDAN	$11,705.33	$17,906.00
51 JEFFERSON CO	$64,231.25	$66,144.25
BOULDER	$43,097.34	$43,198.01
WHITEHALL	$59,346.67	$66,072.67
52 WIBAUX CO	$1,564.24	$1,123.85
WIBAUX	$32,209.55	$38,906.67
53 GOLDEN VALLEY CO	$1,310.98	$1,930.67
LAVINA	$0.00	$0.00
RYEGATE	$8,857.33	$7,125.33
54 MINERAL CO	$153,140.23	$163,124.24
ALBERTON	$13,068.00	$15,607.34
SUPERIOR	$78,568.00	$80,807.33

CITY/COUNTY	FY 97	FY 98
55 PETROLEUM CO	$2.35	$0.00
WINNETT	$4,288.67	$3,197.34
56 LINCOLN CO	$228,324.38	$217,721.29
EUREKA	$24,192.00	$22,326.67
LIBBY	$233,925.13	$248,185.34
REXFORD	$7,741.33	$8,311.33
TROY	$56,748.00	$52,548.67

TOTAL DISTRIBUTION:	FY 97	$22,511,202.92	FY 98	$24,424,006.04

Live bingo and keno taxes. From July 1, 1989, through June 30, 1991, the tax on live bingo and keno was equal to the greater of 1 percent of the gross proceeds from the game (i.e., gross revenue received minus prizes paid out) or 5 percent of the net game income (i.e., gross proceeds minus allowable expenses). In 1991, the Legislature eliminated the 5 percent tax on net income and retained the 1 percent tax on gross proceeds effective July 1, 1991.

The following groups are exempt from the live bingo and keno tax: nonprofit organizations qualified under 26 U.S.C. 501(c)(3), (4), (8), or (19); long-term care facilities; retirement homes; and senior citizen centers.

Live bingo and keno tax revenues are distributed to the county, city, or town in which the licensed game is located for deposit in the county or municipal treasury.

Table 4.7 shows the live bingo and keno tax revenue collected for fiscal years 1992 through 1998.

TABLE 4.7
Live Bingo and Keno Tax Revenues
Fiscal Years 1992 Through 1998

FISCAL YEAR	GAME TYPE	NO. OF RETURNS	GROSS PROCEEDS REPORTED	TAX: @1%
1992	Bingo	53	$2,269,708	$22,697
	Keno	46	1,646,105	16,461
	Totals	99	$3,915,813	$39,158
1993	Bingo	49	$2,110,600	$21,106
	Keno	43	1,438,100	14,381
	Totals	92	$3,548,700	$35,487
1994	Bingo	34	$1,717,400	$17,174
	Keno	40	1,355,400	13,554
	Totals	74	$3,072,800	$30,728
1995	Bingo	31	$1,740,900	$17,409
	Keno	39	1,405,000	14,050
	Totals	70	$3,145,900	$31,459
1996	Bingo	31	$1,605,700	$16,057
	Keno	33	1,246,000	12,460
	Totals	64	$2,851,700	$28,517
1997	Bingo	26	$1,552,000	$15,520
	Keno	34	1,159,800	11,598
	Totals	60	$2,711,800	$27,118
1998(ytd)	Bingo	35	$1,191,300	$11,913
	Keno	32	1,059,000	10,590
	Totals	67	$2,250,300	$22,503

According to the total gross proceeds reported, the average annual gross proceeds generated per bingo game was $23,710 in fiscal year 1990; the average per keno game was $25,203. These figures increased to $34,037 for bingo and $33,094 for keno in fiscal year 1998.

Sports tab card tax. A licensed sports tab game seller who sells sports tabs to a licensed operator must collect from the operator, at the time of sale, a tax of $1 for each 100 sports tabs sold. Within 15 days after the end of each calendar quarter, the licensed game seller must submit to the Gambling Control Division the tax revenue collected. The Division retains the tax revenues for administrative purposes. In fiscal year 1992, the Division received $8,642 in tax revenues. In fiscal year 1994 the Division received $2,304 in tax revenues. In fiscal year 1995, the Division received $2,448 and $859 in fiscal year 1996. No tax revenue was reported for fiscal years 97-98 because there were no licensed sports tab card manufacturers.

B. Gambling Permit Fees

The Gambling Control Division collects permit fees on the following gambling activities:

- video gambling machines;
- live bingo and keno games;
- live card game tables;
- card game tournaments; and
- casino nights.

The following sections describe the permit fees collected by the Division. A summary of these gambling permits is contained in Appendix B.

Video gambling machine permit fees. The annual permit fee for a video gambling machine is $200. Effective July 1, 1991, the fee was prorated on a quarterly basis. One-half of the permit fee is retained by the Gambling Control Division. The remainder is distributed on a quarterly basis to the county, city, or town where each machine is located, for deposit in the county or municipal treasury. The table on the following page shows the video gambling machine permit fee revenues collected for fiscal years 1992 through 1996.

TABLE 4.8
Video Gambling Machine Permit Fee Revenues
Fiscal Years 1992 Through 1998

Fiscal Year	Qtr.	Amount Collected	Amt. to Local Gov't. & Gambling Control Division (each)
1992	Total	$2,609,250	$1,304,625
1993	Total	$2,964,350	$1,482,175
1994	1st	$2,796,600	$1,398,300
	2nd	130,500	65,250
	3rd	99,700	49,850
	4th	55,950	27,975
	Total	$3,082,750	$1,541,375
1995	1st	$2,981,800	$1,490,900
	2nd	136,150	68,075
	3rd	87,900	43,950
	4th	36,150	18,075
	Total	$3,242,000	$1,621,000
1996	1st	$3,088,800	$1,544,400
	2nd	144,450	72,225
	3rd	103,100	51,550
	4th	51,450	25,725
	Total	$3,387,800	$1,693,900
1997	1st	$3,145,550	$1,572,775
	2nd	156,200	78,100
	3rd	72,500	36,250
	4th	51,150	25,575
	Total	$3,425,400	$1,712,700
1998	1st	$3,306,000	$1,653,000
	2nd	117,550	58,775
	3rd	81,750	40,875
	4th	36,650	18,325
	Total	$3,541,950	$1,770,975

Live bingo and keno game permit fees. Before July 1, 1991, the annual permit fee for conducting a live bingo game, keno game, or both games was $500. The fee was reduced to $250 for permits issued on or after July 1, 1991. Exempt from the fee are nonprofit organizations qualified under 26 U.S.C. 501(c)(3), (4), (8), or (19) that qualified for the federal exemption on or before January 15, 1989; long-term care facilities; retirement homes; and senior citizen centers. Nonprofit organizations that qualified for the federal exemption after January 15, 1989, are exempt from one-half of the fee. The Gambling Control Division retains the fee for administrative purposes. Table 4.9 lists the live bingo and keno fees collected for fiscal years 1992 through 1998.

TABLE 4.9
Live Bingo and Keno Permit Fee Revenues
Fiscal Years 1992 Through 1998

Fiscal Year	Bingo	Keno	Both	Total
1992	12,250	11,000	1,500	27,750
1993	10,750	10,000	2,500	23,250
1994	9,000	9,750	2,250	21,000
1995	8,625	8,500	1,000	18,125
1996	8,625	8,500	1,250	17,875
1997	6,875	8,250	1,250	16,375
1998	10,125	8,250	1,750	20,125

Live card game table permit fees. The annual permit fee for a live card game is $250 for the first table operating in an establishment and $500 for each additional table. The Gambling Control Division retains $100 of the fee for administrative purposes. The remainder is distributed on a quarterly basis to the county, city, or town where the card game table is located, for deposit in the county or municipal treasury. The table on the following page lists the card table permit fees collected for fiscal years 1992 through 1998.

TABLE 4.10
Live Card Game Table Permit Fee Revenues
Fiscal Years 1992 Through 1998

Fiscal Year	Qtr.	Amount Collected	DISTRIBUTION: Local Gov't.	DISTRIBUTION: Gambling Control Division
1992	Total	$83,250	$54,800	$28,450
1993	Total	$83,250	$55,550	$27,700
1994	1st	$65,250	$43,650	$21,600
	2nd	5,750	3,650	2,100
	3rd	5,500	3,900	1,600
	4th	3,000	2,000	1,000
	Total	$79,500	$53,200	$26,300
1995	1st	$66,250	$44,350	$21,900
	2nd	7,750	5,350	2,400
	3rd	7,750	5,450	2,300
	4th	1,250	750	500
	Total	$83,000	$55,900	$27,100
1996	1st	$64,250	$42,750	$21,500
	2nd	6,000	4,200	1,800
	3rd	4,750	3,150	1,600
	4th	5,000	3,600	1,400
	Total	$80,000	$53,700	$26,300
1997	1st	$61,250	$39,600	$21,650
	2nd	5,000	3,700	1,300
	3rd	5,750	3,750	2,000
	4th	2,750	1,750	1,000
	Total	$74,750	$48,800	$25,950
1998	1st	$57,000	$37,400	$19,600
	2nd	3,500	2,100	1,400
	3rd	6,000	4,300	1,700
	4th	2,500	1,800	700
	Total	$69,000	$45,600	$23,400

Permit fees for occasional gambling activities. In addition to the annual permit fees addressed above, the Gambling Control Division collects permit fees for card game tournaments and casino nights. The fee for a tournament permit is $10; a casino night permit costs $25. The Division retains the permit fees for administrative purposes.

The Division collected $1,680 in card game tournament permit fees in fiscal year 1997 and $1,310 in fiscal year 1998. In fiscal years 1997 and 1998, the Division collected $375 and $450, respectively, in permit fees for casino night permits.

C. Gambling License Fees

The Gambling Control Division charges a processing and/or license fee for issuing the following licenses:

- operator;
- card dealer;
- card room contractor;
- manufacturer, or distributor, or route operator;
- manufacturer of illegal gambling devices;
- sports tab card manufacturer;
- electronic live bingo and keno equipment manufacturer; and
- antique slot machine dealer.

Fees charged for issuing these licenses are retained by the Division to cover expenses incurred in issuing the licenses. A summary of gambling licenses is contained in Appendix C.

Operator's license fees. Effective July 1, 1991, the Gambling Control Division began collecting a fee for processing an operator's license application to cover the actual cost of determining whether the applicant qualified for licensure. An applicant is required to pay a deposit on the processing fee when the application is submitted. The deposit is $500 for a partnership or corporation; $400 for a sole proprietorship; and $50 for a nonprofit organization. The Division refunds any overpayment of the processing fee or collects an amount sufficient to reimburse the Division for any underpayment of actual costs. The Division collected $138,010 in processing fees in fiscal year 1997 and $117,223 in fiscal year 1998.

Card dealer's license fees. A first-time applicant for a card dealer's license must pay a license fee of $75. Thereafter, a license may be renewed annually for $25. The Gambling Control Division collected $14,580 in card dealer's license fees in fiscal year 1997 and $13,955 in fiscal year 1998.

Card room contractor's license fees. Effective July 1, 1991, the Gambling Control Division began issuing card room contractor's licenses. A fee of $150 is charged for the license. The Division collected $4,650 in card room contractor's license fees in fiscal year 1997 and $3,750 in fiscal year 1998.

Manufacturer's, distributor's and route operator's license fees. The Gambling Control Division charges $1,000 annually for issuing each of the following licenses: manufacturer's, distributor's, route operator's, manufacturer of illegal gambling devices,[14] sports tab card manufacturer, and electronic live bingo and keno equipment manufacturer. In addition, the applicant must pay a one-time processing fee equal to the actual cost of determining whether the applicant qualifies for licensure. A $1,000 deposit on the processing fee is required at the time of application. The applicant receives a refund of any overpayment of the processing fee or must pay an additional amount to reimburse the Division for any underpayment of actual costs. For these types of licenses, the Division collected $170,410 in licensing and processing fees in fiscal year 1997 and $169,383 in fiscal year 1998.

Antique slot machine dealer's license. The cost of an antique slot machine dealer's license is $50 per year. The Gambling Control Division was authorized to begin issuing these licenses on July 1, 1991. No licenses were issued in fiscal years 1991 and 1992. The Division collected $150 in licensing fees in fiscal year 1997 and $150 in fiscal year 1998.

D. Distribution of Gambling Revenues

As noted in the previous sections, gambling revenues are distributed to three entities: local governments; the Gambling Control special revenue account; and the state general fund. The table and graph on the following pages provide data on the distribution of taxes, permit fees, and license fees for fiscal year 1998.

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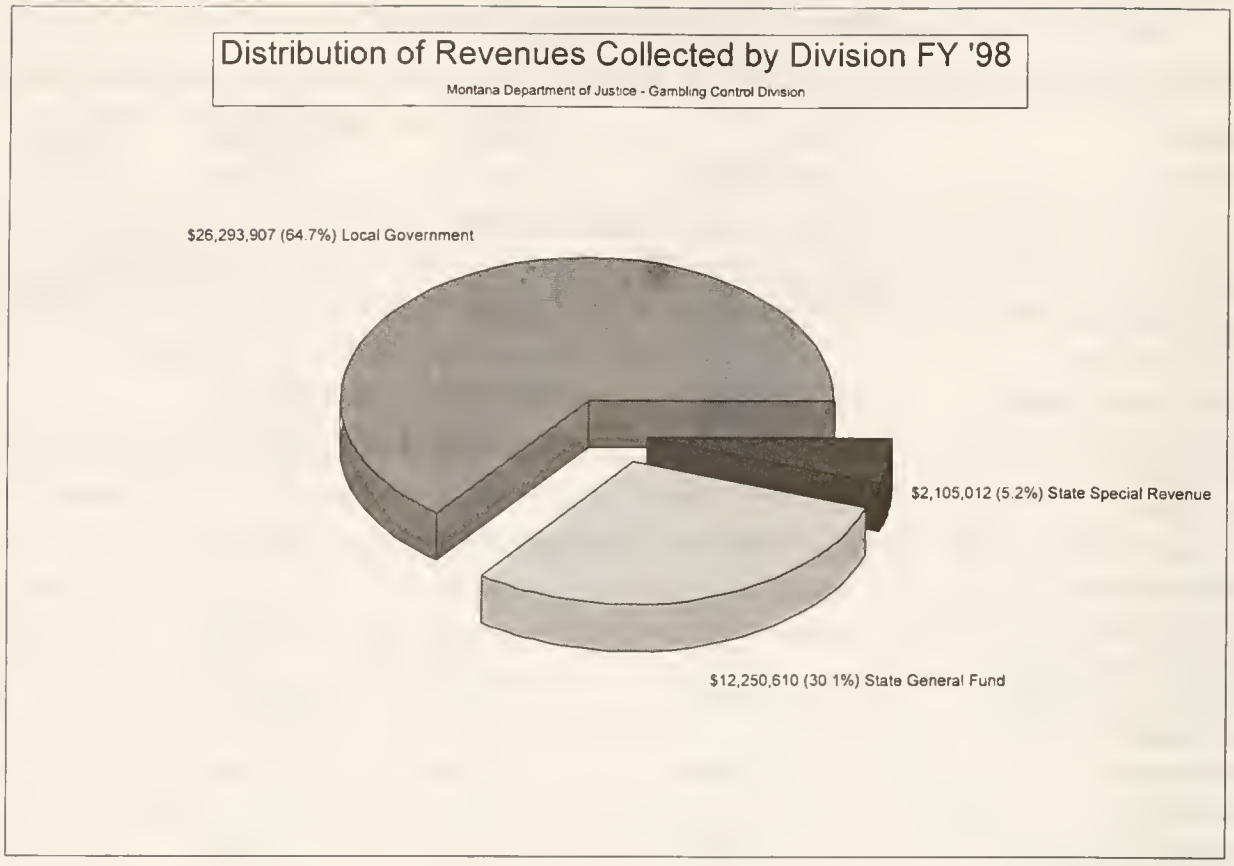
[14] The annual license fee and processing fee for a license to manufacture illegal gambling devices is waived if the applicant has a manufacturer's license.

TABLE 4.11
Distribution of Gambling Revenues
Fiscal Year 1998

Revenue Source	Total Distributed	Local Gov't.	Gambling Control	General Fund
VGM* tax	$36,701,161	$24,450,551	0	$12,250,610
Bingo/keno tax	26,781	26,781	0	0
Sports tab tax	0	0	0	0
VGM* permit fees	3,541,950	1,770,975	1,770,975	0
Bingo/keno permit fees	16,375	0	16,375	0
Card table permit fees	69,000	45,600	23,400	0
Casino night permit fees	475	0	475	0
Antique slot dealer	200	0	200	0
Operator lic. fees	110,583	0	110,583	0
Card dealer lic. fees	13,545	0	13,545	0
Card room contractor fees	3,450	0	3,450	0
Card Tournament fees	1,370		1,370	
Manufacturer[1] lic. fees	164,639	0	164,639	0
Totals	$40,649,529	$26,293,907	$2,105,012	$12,250,610

*VGM = Video gambling machine

[1] Includes fees from the following licenses: manufacturer, distributor, route operator, manufacturer of illegal gambling devices, sports tab card manufacturer, and manufacturer of electronic live bingo and keno equipment.


Distribution of Revenues Collected by Division FY '98
Montana Department of Justice - Gambling Control Division
$26,293,907 (64.7%) Local Government
$2,105,012 (5.2%) State Special Revenue
$12,250,610 (30 1%) State General Fund

As reflected in the above chart, local governments are the biggest recipient of gambling revenues.

IV. DIVISION ACTIVITIES

A. Introduction

The Gambling Control Division, as established in July 1989, consisted of the Investigation Bureau and the Licensing and Tax Bureau, an Audit program, and an administrative unit. In an effort to improve delivery of services, the Division reorganized in September 1991. The former Licensing and Tax Bureau was divided into two sections, Licensing and Technical Services. The Bureau's tax functions were transferred to the audit program, which then became the Audit and Tax Section.

In addition to reorganizing sections, the Division implemented a regional plan involving field office personnel and staff in the Helena office to form teams of employees who could work together to assist licensees in a given geographic area. The state was divided into three districts: western, eastern and southern. A revenue field agent, a licensing specialist in Helena, a district investigation supervisor, and three to four investigators were then assigned to each district.

Legislative approval in 1991 for hiring five more staff persons allowed the Division to implement the regional plan. An investigator was hired to staff a field office in Kalispell. Another investigator was added to the Billings office. The Division hired a revenue agent to work out of the Missoula office to serve the western district; another agent was transferred from Helena to Great Falls. The remaining new positions, a gambling device inspector and a data processing clerk, were not filled until fiscal year 1993 for vacancy savings reasons.

The 1993 Legislative session approved the consolidation of liquor and gambling investigations. Six investigators and two support staff positions were moved from the Department of Revenue to the Division; all but one of the Helena positions was moved out to field offices. Although workload has remained the same, license applicants no longer have to undergo two different investigations and be interviewed by different investigators.

The 1995 Legislature approved three new positions--two new revenue agents (one each in Missoula and Billings), and a gambling device inspector.

In 1997, the Legislature assigned the Division the responsibility to review ownership qualifications and audit for a new class of non-gambling beer and wine on-premises liquor license. Two new revenue agents were hired to handle this work.

In 1998, the Division consolidated its three regions into two regions -- western[15] and eastern[16] -- in order to enhance supervisory capabilities and streamline licensing and enforcement activities.

B. Administration

The administrative unit, which consists of the Division administrator, administrative officer, administrative secretary, and receptionist, manages the over-all operations of the Division.

During the biennium, the administrative unit revised portions of the administrative rules to conform to 1997 statutory changes. In addition, the administrator and administrative officer conducted workshops and presentations to the public and licensees on the responsibilities of the Division, as well as on promotional games of chance, credit gambling/check cashing, casino nights and proposed rule changes.

The unit is responsible for the oversight of the Division's Web page and is the point of contact for all public and media inquiries about Montana gambling statutes and administrative rules and gambling regulatory affairs.

The administrative officer worked closely with the Gaming Advisory Council, a nine-member policy group established by law to study all aspects of gambling in Montana and make recommendations to the Department. The administrative unit provided all staff services for Council meetings and other activities.

C. Licensing

The Licensing Section, consisting of a section supervisor, three licensing specialists, and an administrative clerk, is responsible for processing and issuing gambling licenses and permits and providing information and assistance to licensees. The Section also collects and distributes license and permit fees and maintains license records. The Section's activities during fiscal years 1993 through 1998 are described in Table 5.1 below.

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[15]The western district consists of Lincoln, Flathead, Sanders, Lake, Mineral, Missoula, Ravalli, Lewis and Clark, Powell, Jefferson, Granite, Deer Lodge, Silver Bow, Beaverhead, Glacier, Toole, Liberty, Hill, Pondera, Chouteau, Teton, and Cascade Counties.

[16]The eastern district consists of Blaine, Judith Basin, Phillips, Valley, Wibaux, Daniels, Sheridan, Roosevelt, Dawson, Fergus, Petroleum, Garfield, McCone, and Richland Counties.

TABLE 5.1
Licensing Section Activities
Fiscal Years 1993 through 1998

	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Oper.,Man./Dist. /Rte.Oper.						
Licenses Issued	1,884	1,862	1,838	1,840	1,861	1,881
Game Permits Issued	16,489	17,040	17,551	18,587	19,487	18,951
Fees Collected	$2,964,350	$3,082,750	$3,242,000	$3,387,800	$3,425,400	$3,541,950

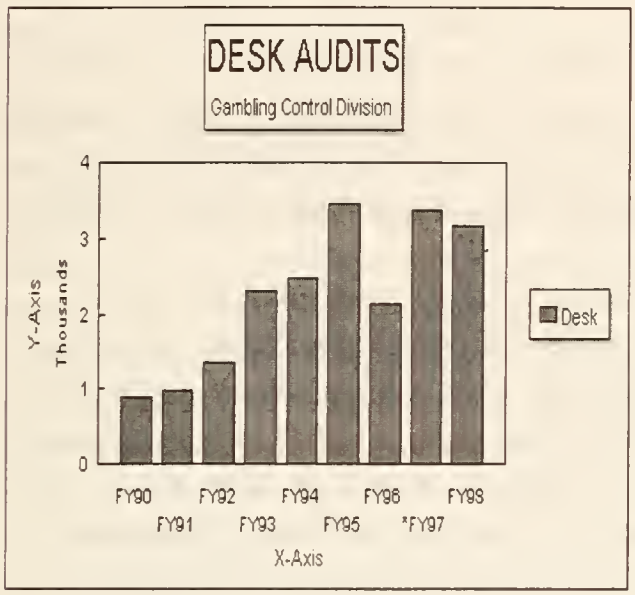
D. Audit and Tax

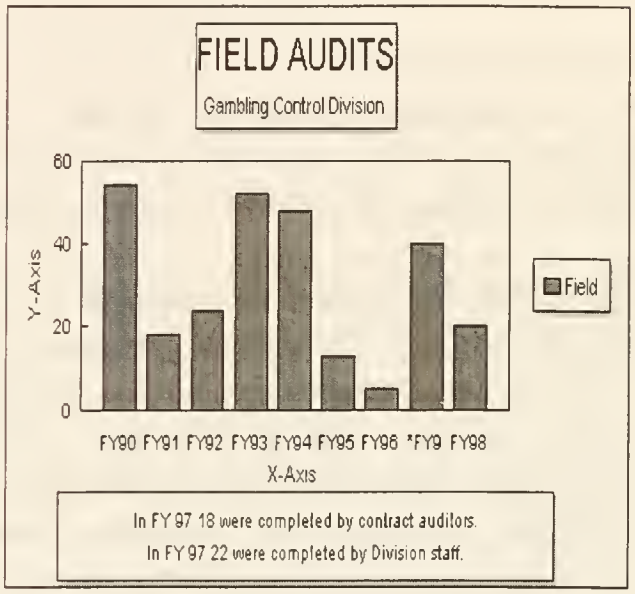
The Audit and Tax Section consists of a Section supervisor, two compliance specialists, and seven revenue agents. The revenue agents are located in Missoula, Billings, Great Falls, and Helena. The Section assists in licensing applicants by conducting financial background reviews. It also collects and distributes gambling taxes; conducts office and field tax audits; provides support to the Investigation Bureau in interpreting and analyzing documents seized from suspected illegal gambling activities; and provides budget management services for the Division. Statistics relating to the Section's activities are provided in the following table.

TABLE 5.2
Audit and Tax Section Activities
Fiscal Years 1997 and 1998

	FY 97	FY 98
Financial reviews of license renewals	13	128
Financial reviews of new applications	386	393
Rest. beer/wine license review	-	52
Taxes collected/distributed (in millions)	$33.8	$36.7
Desk audits conducted	3,361	3,157
Record keeping penalties	216	142
Field audits conducted	40	20

In fiscal years 1997 and 1998, office-based audits and other compliance activities resulted in the assessment of $657,028 including tax and penalties. During this same period, the Section assessed $232,868 in additional taxes and penalties as a result of field audits. The charts below show the variation in the number of desk audits and field audits completed since 1990, including the number of private contractor field audits in FY 1997.





Penalties: Taxes

If a gambling establishment fails to pay taxes and respond to written requests for payment, the Division issues a Temporary Cease and Desist order. Nonpayment of taxes may result from a failure to pay taxes when due or a failure to pay taxes and penalties due following an audit. When a Temporary Cease and Desist order is issued, most establishments pay both the taxes and the penalties associated with nonpayment to avoid a shutdown. In fiscal year 1997, six cease and desist orders were issued and five were executed. In fiscal year 1998, four cease and desist orders were issued and two were executed.

E. Technical Services

The Technical Services Section (TSS) consists of a Section Supervisor, an information systems specialist, an information system tech, a gambling machine tester and two gambling device inspectors. The second inspector position was one of the three FTEs authorized by the 1995 Legislature; it was not filled until March 1996 for vacancy savings purposes.

All Technical Services personnel are based in Helena with the exception of gambling device inspectors; one is based in Billings and the other in Missoula. The Technical Services Section serves as the primary technical resource for the Gambling Control Division. Major responsibilities include data processing and gambling device testing.

Data processing services are provided for 60 users in both the Gambling Control Division and the Department of Revenue, Liquor Bureau on ten local area networks (LANS) located throughout the state. In fiscal year 1998 the Division was able to replace outdated computer equipment in field offices with the aid of forfeiture funds. The old equipment was UNIX based and in excess of ten years old. With the installation of the new technology the Division provides more efficient information exchange and processing. All services provided for the Department of Revenue, Liquor Bureau are negotiated annually through a Memorandum of Understanding.

Gambling device testing is performed on both prototype models and modifications to approved models. The majority of modifications are software game programs. Gambling device testing is performed for Montana and under contract for Indian reservations and other jurisdictions. Compliance testing and approval of gambling devices and modifications is completed prior to duplicates being manufactured, sold and operated in Montana. Gambling device manufacturers are assessed hourly charges for testing; these charges are assessed to cover the actual costs of testing. The average time to test a new gambling device is 60 to 90 days; cosmetic modifications are approved the next day. (See table 5.2a on following page.)

The use of touch-screen technology and multi-variation and multi-denomination software has increased the number of machine models and game software submitted for testing and approval. Late-model machines with touch-screen technology can be converted to poker, keno or bingo by changing the game software; denomination and game variations are player selectable. The machine testing workload remains consistent; testing of multi-variation and denomination game software is more labor intensive due to the number of games, corresponding pay tables and denominations.

The trend in data storage devices used in machines is changing. The latest machine models are employing hard disk drives and CD ROMs for the storage of game, sound and video data. The integration of these storage devices affects machine specifications, testing procedures, machine security and field inspections. With the expanded memory, manufacturers are integrating animation, sound and player interaction features. This development poses additional challenges to the Division to maintain a strict construction of the law and allow only those types of games, options and bonus features that are explicitly authorized by statute.

Related areas of responsibility include machine inspections, tracking machine service and tracking machine movement. Machine inspections are performed to ensure active machines are identical to approved prototypes and to identify non-compliance. In fiscal year 1997 and prior years, machine inspections were performed randomly and in response to complaints. In fiscal year 1998, as requested by the 1993 Legislative Audit, the Division began performing targeted machine inspections. Targeted machine inspections are based on excessive gambling machine service, inspection vs. corrections ratio, and chronic machine failures; these are grouped by operator, route operator and gambling machine make and model. The number of machines inspected in fiscal year 1998 is considerably less than in fiscal year 1997; targeted machine inspections are labor intensive due to travel time to specific geographic locations. Table 5.2b on the following page provides historical information on machine inspections and correction notices.

Repairs performed on active machines may cause alteration of the machine accounting and must be reported on a Video Gambling Machine Service Form. Service Form information is compiled in a database and used as a reference for the Audit and Tax Section while conducting machine audits; the data is also used to document chronic machine failures/service. (See Table 5.2b)

Manufacturers, distributors, route operators and operators are required to report the purchase, sale and destruction of machines. Fiscal year 1998 was the first complete year that operators were required to report machine transactions and destructions. Machine movement information is compiled in a database and used for licensing and investigations. Over 23,500 machines are currently tracked for ownership. Machine transactions and destructions are reported in table 5.2b on the following page.

Table 5.2a Testing

Gambling Device Testing		
FY	New Machines[1]	Modifications[2]
90	8	181
91	8	240
92	7	229
93	7	277
94	4	191
95	4	154
96	4	180
97	1	130
98	1	90

1 In the late 1980s, manufacturers began incorporating touch-screen technology in their machines. Since that time, we have experienced a decrease in the total number of new machine models submitted for testing; one machine model, with touch-screen technology, can now be used for poker, keno or bingo.

2 In the late 1980s, manufacturers began incorporating multi-variations and denominations of games within one game software package; this has resulted in a decrease in the total number of software modifications submitted for approval.

Table 5.2b
Inspections, Corrections, Service, Transactions and Destructions

Video Gambling Machine Inspections, Corrections, Service, Transactions and Destructions						
FY	Inspections	Inspection Correction Notices Issued	Service Forms Received	Machine Transactions	Machines Destroyed	Total Permitted Machines
90	288	67	5,645	90	0	n/a
92	508	67	9,482	58	2	14,365
93	1676	890	11,016	4,488	28	16,489
94	1557	946	10,172	4,026	109	17,040
95	1701	1,061	10,643	4,719	226	17,551
96	2394	2,024	12,502	4,170	761	18,587
97	4718	5,081	8,314	4,663	461	19,487
98	2509	2,980	6,398	7,247	687	18,951

F. Investigations

The Gambling Investigation Bureau has three employees in the Helena office: a Bureau Chief, administrative assistant, and an administrative support position. One additional administrative support position is located in both the Western District office in Missoula and the Eastern District office in Billings. Seventeen investigators are assigned to eight field offices, which are organized into two districts, each managed by a regional supervisor. Field offices are located in Kalispell, Missoula, Butte, Glasgow, Great Falls, Billings, Miles City, and Bozeman.

In addition to investigating illegal gambling activity, video gambling machine tampering theft and burglary, the Bureau provides investigative services to other sections and units of the Division. Before a gambling license is issued, the Investigation Bureau conducts a criminal background check on the applicant and a thorough investigation of the application and individuals or entities wishing a gambling license. The Bureau conducts criminal investigations of alleged violations of state gambling statutes and administrative rules on all licensees residing in the state and of licensed entities outside the state doing business in Montana.

The Bureau conducts routine inspections of licensed establishments as well as inspecting proposed gambling establishments. Other Bureau duties include evaluating variations of legal gambling activities submitted for approval and providing local law enforcement training.

In addition to its Gambling Control Division duties, the Investigation Bureau is also responsible for conducting liquor license investigations and reporting back to the Liquor Control Bureau on the suitability of liquor license applicants.

Table 5.3 on the following page provides more information on Bureau activities.

TABLE 5.3
Investigation Bureau Activities
Fiscal Years 1995 through 1998

	FY 1995	FY 1996	FY 1997	FY 1998
License investigations conducted:				
Liquor:	440	434	413	447
Gambling:	297	297	338	341
Mfg/Dist/Rte Operators:	21	23	27	29
Card Room Contractors:	15	24	21	23
Dealers:	400	365	90	126
Licensee criminal background investigations conducted:				
Liquor:	853	874	857	893
Gambling:	1969	2025	2113	2312
Premises inspections conducted	438	457	300	314
Civil correction notices issued	136	85	78	88
Civil violation notices issued	34	28	38	34
Criminal investigations conducted	383	406	411	486
Offense Investigations			275	199
Cases closed, all types			1,622	1,456

G. Legal Services

Legal services are provided by two attorneys who are assigned to the Gambling Control Division but attached administratively to the Office of the Attorney General. The Division provides a secretary for clerical assistance to the attorneys. The attorneys' focus is largely on administrative action against licensees who violate Montana's gambling laws and rules and on representing the Division in administrative proceedings. In addition, Division attorneys may assist local county attorneys with gambling-related cases that fall within local jurisdiction. If local county attorneys decline prosecution of a criminal case, then Division attorneys may also handle it.

Table 5.4, below, provides information on Legal Services caseload.

Table 5.4
Legal Services Caseload Fiscal Years 1997 through 1998

	FY 97	FY 98
Licensing Cases Closed	161	74
Investigations Penalty Cases Closed	71	73
Audit/Tax Penalty Cases Closed	264	225
Total Administrative Cases Closed	499	372
Total Civil Penalties Receivable	$272,099	$222,835

APPENDIX A

GAMBLING TAXES

TYPE	AMOUNT	DISTRIBUTION	STATUTORY CITE (MCA)
Live Bingo/ Keno	1% of gross proceeds (paid annually)[1]	100% to local governments	23-5-409,MCA
Video Gambling Machine	15% of gross machine income (paid quarterly)	33 1/3% to state general fund and 66 2/3% to local governments	23-5-610,MCA
Sports Tab Cards	$1/sports tab card (paid annually)	100% retained by Dept. of Justice	23-5-502,MCA

[1]An organization qualified for exemption under 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) or a senior citizen center, retirement home, or nursing home is exempt from the live bingo/keno tax (23-5-406 and 410, MCA).

APPENDIX B

GAMBLING PERMITS

TYPE	COST	DISTRIBUTION	STATUTORY CITE (MCA)
Live Card Game Table	$250/yr for 1st table $500/yr for each add'l table[1]	$100/table retained by Dept. of Justice with remainder to local governments	23-5-306,MCA
Live Bingo/ Keno	$250/yr for each premise[2]	100% retained by Dept. of Justice	23-5-407,MCA
Video Gambling Machine	$200/yr for each machine	50% retained by Dept. of Justice with remainder to local governments	23-5-612,MCA
Live Card Game Tournament	$10/tournament	100% retained by Dept. of Justice	23-5-317,MCA
Casino Night	$25/casino night	Same as above	23-5-705,MCA

[1]A senior citizen center is exempt from the live card game table fee. (23-5-310, MCA)

[2]An organization qualified for exemption under 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) on 01/15/89 or a senior citizen center, retirement home, or nursing home is exempt from the live bingo/keno permit fee. A 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) organization qualified for federal exemption after 01/15/89 is exempt from one-half the permit fee. (23-5-406 and 410, MCA)

APPENDIX C

GAMBLING LICENSES

TYPE	COST	DISTRIBUTION	STATUTORY CITE (MCA)
Operator	One-time application fee commensurate with processing costs	100% retained by Dept. of Justice	23-5-177,MCA
Card Dealer	$75 1st year[1] $25 to renew	Same as above	23-5-308,MCA
Card Room Contractor	$150/yr	Same as above	23-5-324,MCA
Manufacturer, Distributor, or Route Operator	One-time application fee commensurate with processing costs plus $1,000/yr license fee	Same as above	23-5-625,MCA 23-5-128,MCA 23-5-129,MCA
Manufacturer of Gambling Devices Not Authorized in Montana	Same as above[2]	Same as above	23-5-152,MCA
Electronic Live Bingo/Keno Equipment Manufacturer	Same as above	Same as above	23-5-424,MCA
Sports Tab Game Seller	Same as above	Same as above	23-5-115,502 503, MCA

[1]No fee is charged for a 90-day temporary card dealer license. (23-5-308, MCA)

[2]No application processing fee or license fee is charged if the manufacturer-distributor is licensed as a manufacturer-distributor under 23-5-625, MCA. (ARM 23.16.2001)

Appendix D

1997 Legislative Changes

The following legislative initiatives were approved by the 1997 Legislature:

HB 541: Revise Credit Gambling Penalties and Definitions: This bill, effective October 1, 1997, changes the definition of credit gambling activities and increases penalties for certain amounts of credit gambling.

HB 16: License Sports Tab Game Sellers: This bill, effective on October 1, 1997, removed the license requirement for manufacturers of sports tab games and created a new license and tax reporting process for Montana sports tab game sellers.

HB 615: Establish an Interim Commission to Study the Socio-Economic Effects of Gambling: This bill established a Governor-appointed commission to oversee, publicize and report on a study of the socio-economic impacts of gambling in Montana. The bill was effective on July 1, 1997, and the commission terminates on June 30, 1999.

SB 368: Regulating Business Practices Relating to the Sale and Importation of Video Gambling Machines: This bill, effective on passage and approval and on July 1, 1997, changed the requirement that all illegal gambling devices must be exported from the state and allowed a licensed manufacturer to bring an illegal video gambling machine into the state for conversion to an authorized video gambling machine if the manufacturer holds the approval rights for that machine.

SB 354: An Act Establishing A Restaurant Beer and Wine License To Allow Restaurants To Serve Beer and Wine To Patrons Who Purchase Food; Prohibiting Gambling in Conjunction With the License: This bill allows restaurants to purchase a beer and wine license and sets certain requirements for size of restaurant and amount of business profit derived from food versus alcoholic beverages. The bill set up a lottery for the purchase of the new limited licenses. No gambling permits are allowed to be associated with this beer/wine license.

The following bills died after being tabled or receiving adverse committee reports:

SB 208: Establishment of a Problem and Pathological Gambling Treatment and Problem Gambling Prevention Program.

SB 295: Increasing public involvement in gambling licensing.

SB 096: Authorization for automation of video gambling machine accounting and reporting.

SB 294: Allow local participation and input into gambling license decisions.

SB 157: Increase the legal age for gambling to 21.

SB 299: Deposit video gambling machine tax into the state general fund.

SB 268: Repeal the state lottery.

SB 278: Prohibit minors in gambling areas of licensed establishments.

HB 425: Eliminate video gambling machines as a legal form of gambling.

HB 304: Mandatory automated video gambling machine accounting and reporting.

HB 209: Increase the tax on video gambling machines.

HB 349: Prohibit Automatic Teller Machines in casinos and gambling establishments.

HB 492: Prohibit alcohol on a premise licensed to sell alcoholic beverages on the premise within 600 feet of a school or church.

Appendix E

Tribal Gaming

The Indian Gaming Regulatory Act (IGRA), enacted by Congress in 1988, directs the state, upon request of a tribe, to enter into negotiations for the conduct of Class III gaming on Indian Reservations. Class III gaming, as defined under IGRA, includes games such as live keno, video gambling machines, lottery, and horse racing.

A state negotiations team consisting of representatives for the Governor's Office, Attorney General, State Lottery and Board of Horse Racing acts on behalf of the Governor to negotiate state/tribal compacts for the state.

In the existing compacts the State has negotiated the same types of games that are legal in the rest of the state. With regard to conditions of play, the State has allowed $1,000 payouts for some video gambling machines and allowed up to 100 video gambling machines to be placed in each tribal premise depending on site-specific circumstances. In the absence of a compact, Class III gaming cannot be conducted on an Indian reservation.

The information below provides the status of compact negotiations:

EXISTING MONTANA/TRIBAL CLASS III COMPACTS:

Assiniboine & Sioux Tribes
Fort Peck Council

Crow Tribe
Crow Tribal Council

Chippewa-Cree Tribe
Chippewa Cree Tribal Council

Northern Cheyenne Tribe
Northern Cheyenne Tribal Council

Salish & Kootenai Tribes
Confederated Salish & Kootenai Tribes

NO COMPACT:

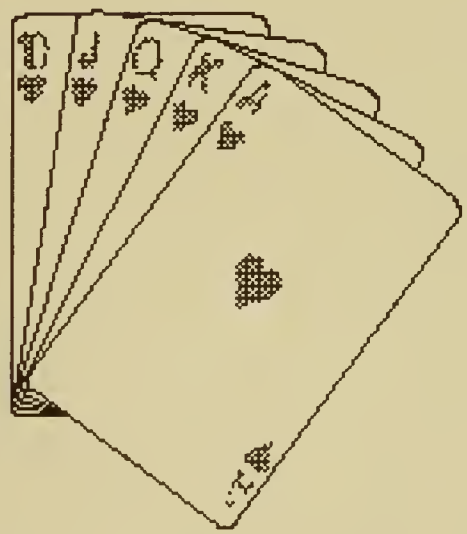
Blackfeet Tribe
Blackfeet Tribal Business Council

Gross Ventre & Assiniboine Tribes
Fort Belknap Community Council

REPORT OF THE

1997 - 1998

GAMING ADVISORY COUNCIL



November 1998

1997-98 Gaming Advisory Council

Chair, Larry Epstein, Cut Bank, Local Government

Senator Sharon Estrada, Billings, Legislature

Representative Matt Denny, Missoula, Legislature

Joan Bennett, Great Falls, Local Government

Joe Plumage, Billings, Native American

James Thompson, Kalispell, Public Citizen

Steve Arntzen, Billings, Gaming Industry

Steve Nelson, Missoula, Gaming Industry

Clint Lohman, Glendive, Gaming Industry

(Mont. Code Ann. §2-15-2021 ***Gaming advisory council--allocation--composition--compensation--biennial report.*** *(1) There is a gaming advisory council. (2) The gaming advisory council is allocated to the department for administrative purposes only as prescribed in 2-15-121. (3) The gaming advisory council consists of nine members. One member must be from the senate, and one member must be from the house of representatives. The senate committee on committees and the speaker of the house of representatives shall appoint the legislative members of the council. The seven remaining members must be appointed by the department, with one representing the public at large, two representing local governments, one being a Native American, and three representing the gaming industry.)*

I. INTRODUCTION

In 1989, the Montana Legislature adopted Senate Bill 431, a comprehensive revision of the state's gambling laws. Senate Bill 431 centralized regulation and control of all gambling activities, except for the lottery and horse racing, under the Department of Justice. The bill also provided for appointment of the Gaming Advisory Council.

The statutory duties assigned to the Council were multi-fold: to hold meetings and incur necessary expenses to study all aspects of gambling in Montana; to review and comment on administrative rules proposed by the Department; and to submit an annual report to the Department of Justice and the Legislature with recommendations regarding the state's gambling laws and the Department's administrative rules and operations.

The Gaming Advisory Council consists of nine members: one member each from the Senate and House of Representatives, one public member, two local government representatives, one Native American representative, and three gaming industry representatives. The Senate Committee on Committees and the Speaker of the House appoint the legislators to the Council, while the remaining members are selected by the Attorney General. Each member serves a three-year term.

During the 1997-1998 biennium, the legislative appointees to the Council were Senator Sharon Estrada (Billings) and Representative Matt Denny (Missoula). The legislators were joined in fiscal year 1997 by public member Jim Thompson (Kalispell); local government representatives, County Attorney Larry Epstein, (Cut Bank) and Mayor Joan Bennett (Great Falls); Native American representative Joe Plumage (Billings); and gambling industry members Steve Arntzen (Billings), Steve Nelson (Missoula), and Clint Lohman (Glendive).

The remainder of this report reviews the Gaming Advisory Council's deliberations and activities and presents the Council's recommendations.

Additional information on the work of the Council, including staff reports, is available through the Gambling Control Division, 2550 Prospect Ave, Helena, Montana 59620.

II. COUNCIL DELIBERATIONS AND ACTIVITIES

The Gaming Advisory Council began its work for the 1997-1998 biennium in June 1997 and adopted its final recommendations in November 1998. During this period, members met seven times. Most meetings were held in Room 325 of the State Capitol building.

This chapter provides a brief overview of the Council's deliberations and actions during the 1997 - 1998 biennium. A general account of each meeting is contained in the meeting minutes and a detailed record is available on tape both of which are on file with the Gambling Control Division.

Meeting #1: July 9, 1997 (Capitol Room 325)

During the Council's first meeting Larry Epstein was elected as chairman. Former chair, Senator Estrada passed the gavel to Mr. Epstein.

Attorney General Joe Mazurek addressed the Council and introduced the new Division Administrator, Jim Oppedahl. General Mazurek also thanked the Council members for their hard work this past year, and he welcomed newly appointed Council members Steve Nelson, Jim Thompson and Rep. Matt Denny.

General Mazurek then suggested the following issues for the Council's deliberations:

1. Consolidation of liquor and gambling license processes
2. The emergence and continued growth in Internet gambling.
3. The automation of the Division's auditing and tax collection of video gambling machine gross income.
4. The Gambling Study Commission as outlined in HB 615.

General Mazurek also told the Council that the state had reached an agreement with the Confederated Salish and Kootenai Tribes for a compact covering gambling on the Flathead Reservation.

Jim Oppedahl, Administrator, reported on Division activities including the following license renewals: 1,695 operator licenses and 15,525 video gambling machine permits. He also reported on responsibilities for reviewing applications for the Department of Revenue's new beer and wine restaurant license. He also gave a brief summary of the proposed Flathead Reservation compact along with a summary about the Department of Justice Home Page on the World Wide Web.

Administrative Officer Wilbur Rehmann reviewed two bills that passed in the last Legislature: the Sports Tab Game Sellers' bill, HB 16, for which the Division is writing administrative rules and SB 368, which regulates the import and export of video gambling devices. He also discussed a bill that did not pass, SB 208, which would have started a program for the treatment and prevention of compulsive and pathological gambling.

A motion was made by Senator Estrada that the Council reintroduce the content of SB 208 in a new bill in the next legislative session; Jim Thompson seconded the motion; the motion passed unanimously.

Darrell Keck, MTA, addressed the Council and said that the MTA was convening a committee to research and work on an automated accounting and reporting system that its members could support.

Steve Arntzen gave a presentation to the Council on his company's Intelli-trac system of casino accounting and management.

Meeting #2: January 7, 1998 (Capitol Room 325)

Chair Larry Epstein called the meeting to order and all Council members were present except for Joan Bennett, who was excused.

Attorney General Joe Mazurek introduced the new Deputy Director of the Department of Justice, Larry Fasbender. Mr. Fasbender has previously served as a legislator and in the executive branch of government.

Mr. Mazurek told the Council members that there are a couple of technology issues on the horizon that they need to be thinking about. One is the new generation video gambling machines that have a computer hard drive in them. With this much extra space, the graphics and sound capabilities of a video gambling machine are greatly increased. In addition, the continued expansion of Internet gambling is of concern because it presents the opportunity for unregulated and unlimited competition that has a significant potential to those who operate here. The question is whether these new gambling devices can be secure enough to pass the statutes.

Jim Oppedahl, Administrator, addressed the Council and explained budget issues confronting the Division and educational workshops planned in 1998. In addition, Mr.

Oppedahl summarized the findings of the contract audits which paralleled the Division's audit problems: lack of information and documentation. He also outlined three regulatory issues: the proposed administrative rule changes, autoplay feature on IGT machines, and the problems associated with Internet gambling.

Administrative Officer Wilbur Rehmann gave a report on the status of the proposed Division administrative rule changes and said that a hearing was held in December. The Division received a total of four written comments on the proposed rules and expects to give a notice of final adoption this spring.

Steve Maly, researcher for the Legislative Services Division and staff to the Gambling Study Commission, addressed the Council. He said the Commission awarded a contract for a socio-economic study of the impacts of gambling in Montana to the University of Montana's Bureau of Business and Economic Research. He said the study will be completed and made public sometime in August.

Mark Staples, MTA, addressed the Council and said that he sees progress within the industry on automated accounting and reporting systems. It is no longer a question of "if and why" but now to "what and how." He said the MTA committee intends to present proposed legislation that will be voted on at the MTA convention in September 1998.

Dennis Casey of the GIA also addressed the Council and said his organization was also working on a proposal for automation and would work with the Department and other industry groups on any final proposal.

Meeting #3: July 9, 1998 (GCD Conference Room)

Chair Larry Epstein called the meeting to order and all members were present except Senator Sharon Estrada and Steve Nelson.

Received report from Attorney General Joe Mazurek in which he discussed streamlining the GCD licensing process and more coordination with the Department of Revenue to improve the licensing process; reorganization of the Division Districts; this year's gambling license/permit renewal statistics; and the Department of Justice Web Site. He also reviewed the Department's efforts to implement an automated accounting and reporting system. In addition, the Attorney General reappointed Larry Epstein, Joan Bennett, and Steve Arntzen to the Council for one-year terms beginning July 1, 1998.

Jim Oppedahl, Administrator, demonstrated and explained the Department of Justice Web site which includes a section on the activities and responsibilities of the Gambling Control Division. He also presented a report on Division activities, including license renewals and the reorganization of districts and field offices, and he distributed a draft RFP for contract audits. Mr. Oppedahl read a letter from MTA lobbyist Mark Staples on the progress the MTA committee on electronic monitoring has made this past year.

Wilbur Rehmann, Administrative Officer, explained and demonstrated Internet gambling opportunities. He visited several Internet gambling sites and explained their proliferation over the last two years. He discussed the inherent dangers of gambling on the Internet and giving out a credit card number to an insecure site.

Received a status report on the Gambling Study Commission from Steve Maly, Legislative Services Division. Mr. Maly said that a draft of the report should be available by mid-August.

Received update on the Compulsive Gambling Subcommittee from Chair Ellen Engstedt of Don't Gamble with the Future. Ms. Engstedt said that the subcommittee had revised former SB 208 and that the new language was a compromise based on the needs of all the parties. She said that a strategy for getting the compromise bill through the Legislature needed to be developed.

Received brief update on the industry-sponsored compulsive gambling hotline.

Meeting #4: August 25, 1998 (Fairmont Hot Springs, Pintlar Room)

Chair Larry Epstein called the meeting to order and all members were present except Senator Sharon Estrada, Joan Bennett and Steve Nelson, who were excused.

Attorney General Joe Mazurek reported on progress in negotiations between the Department and the Montana Tavern Association's Electronic Monitoring Committee over a compromise bill on automated accounting and reporting. Mazurek said that he supported a voluntary approach as long as there were a substantial amount of participants, namely, 70 percent. In addition, the bill would include some incentives for locations that volunteer to participate. If the Department and the MTA reach a compromise, a bill will be submitted to the 1999 Legislature reflecting the agreement.

Division Administrator Jim Oppedahl reported on workshops that he and Wilbur

Rehmann conducted in Eastern Montana. Attendance at the workshops was high. He also handed out a draft copy of the Gambling Control Division budget proposal.

Dennis Casey, Gaming Industry Association, reported on the status of the industry-sponsored compulsive gambling hotline. He handed out a copy of the information packet that is sent out to hotline callers.

The meeting adjourned at 2:15 p.m. and the next meeting was set for November, 1998.

Meeting #5: November 20, 1998 (Capitol, Room 413/15)

Chair Larry Epstein called the meeting to order and all members were present except for Senator Sharon Estrada and Clint Lohman, who was excused.

Attorney General Joe Mazurek reported on the progress of the license application pilot program and said that he appreciated the representatives of the industry and the Gambling Control Division sitting down together to find solutions. He also urged the Council to seriously consider the report of the subcommittee on compulsive gambling and to endorse their proposal. Lastly, he updated the Council on negotiations between the Division and the Montana Tavern Association's monitoring committee on an automated accounting and reporting system. He said he was pleased to report that a tentative agreement was reached between the parties and that Jim Oppedahl would being going over the proposal in detail.

Division Administrator Jim Oppedahl a draft of the biennial report, asking that comments be returned to the Division by December 1st. He credited administrative officer Wilbur Rehmann with producing the report and thanked him for the job well done. Mr. Oppedahl also went over the licensing pilot program task force and that the work sessions had been very productive. He hoped to have recommendations for improvement in the near future.

He handed out a draft of proposed card dealer licensing process administrative rule changes which include a issuance of a new identification card.

Mr. Oppedahl went over the proposed draft bill for automated accounting and reporting. The proposed system is based on a voluntary system with a requirement that 70% of upgradeable video gambling machines be connected before ordering a system. In addition, the bill includes incentives for machine owners to connect by offering limited tax credits and loans for upgrade kits. Mark Staples, MTA, said that they strongly

supported the proposal and thanked the Attorney General and the Division for working with the MTA.

Lastly, Mr. Oppedahl told the Council that the Division testing lab was reviewing machines and software programs to determine if they were year 2,000 compliant.

Ellen Engstedt, Don't Gamble with the Future and chair of the compulsive gambling subcommittee reported that the subcommittee recommended a compulsive gambling education program and a pathological gambling treatment program. The draft bill would be funded by money from the Division's budget and the program would be provided by the Department of Public Health and Human Services. She said that all of the counseling groups had agreed to the draft bill as well as industry representatives.

The Council voted to endorse both bills in the 1999 Legislative Session.

The meeting adjourned at 11:30am; no meeting date was set until after the legislative session is concluded.

III. Legislative Recommendations:

The Gaming Advisory Council endorsed two proposed legislative changes for the 1999 Session. The Council unanimously endorsed a proposal for an automated accounting and reporting system and they praised the work of the Attorney General and the Montana Tavern Association for agreeing to a compromise proposal. The draft bill was still being finalized as this report went to the printer.

In addition, the Council endorsed a bill to create a program for the education, prevention and treatment of compulsive and pathological gambling. The compulsive gambling ***draft*** bill follows below:

BY REQUEST OF THE GAMING ADVISORY COUNCIL BILL FOR AN ACT ENTITLED: "REQUIRING THE DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES TO DEVELOP AND ADMINISTER A PROBLEM AND PATHOLOGICAL GAMBLING REATMENT AND PREVENTION PROGRAM; DEFINING SERVICES TO BE PROVIDED BY THE PROGRAM; PROVIDING AN APPROPRIATION; AND PROVIDING AN EFFECTIVE DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because this section authorizes the department of public health and human services to adopt rules necessary to administer the problem and pathological gambling treatment and prevention program. The legislature intends that the rules address but not be limited to the following:

(1)procedures for reimbursing public, community-based agencies and private organizations for providing treatment services to pathological gamblers and intervention services to person(s) adversary affected by gambling;

(2)criteria for selecting agencies or organizations to be eligible for reimbursement for providing treatment services;

(3)records to be maintained by agencies and organizations receiving reimbursement;

(4)criteria for evaluating services provided by agencies and organizations;

(5)criteria for determining the persons eligible to receive treatment and rehabilitation for pathological gambling, including an independent evaluation required for inpatient admissions, and the provision of treatment and rehabilitation services based upon ability to pay;

(6)the credentials, education, training, and requirements of persons providing treatment and rehabilitation services for persons suffering from pathological gambling; and

(7) evaluate the effectiveness of the services provided.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA

NEW **SECTION. Section 1.Design and implementation of problem and pathological gambling treatment and prevention program. (1)** The department of public health and human services shall design and develop a pathological gambling treatment program. The purpose of the program is to provide for the prevention and treatment of

problem and pathological gambling in Montana. In designing and developing the program, the department shall:

(a)develop a statewide plan to address the problem of pathological gambling;
(b)adopt rules necessary to administer the program; and
(c)develop priorities for funding services and develop criteria for distributing program funds including required qualifications or certification of counselors providing services.

(2)The department shall implement and administer the program for problem and pathological gambling. In administering the program, the department shall:

(a)make services available as provided for in (section
(b)monitor expenditure of funds by agencies and organizations receiving program funding; and
(c)evaluate the effectiveness of services provided through the program.

NEW SECTION. Section 2.Problem and pathological gambling treatment and prevention program services. (1) The department shall make available to pathological gamblers and their immediate families a range of treatment services, including outpatient services, intensive outpatient services, aftercare services, and inpatient services to those persons requiring specialized care. (2) In addition to the services required under subsection (1), the department shall:

(a)provide prevention and educational services to the general public; and
(b)provide a toll-free telephone service for crisis intervention and referral of pathological gambler to problem gambling counselors.
(c)contract with certified pathological gambling counselors as defined in Section 3 (1) to provide the services described in subsections (1) and (2).
(d)provide a biennial report to the Gaming Advisory Council and the Montana Legislature.

NEW SECTION. Section 3. Definitions as used in sections_____through_____)
Unless the context requires otherwise the following definition apply.

(1)"Certified Pathological Gambling Counselor" means a person certified as a gambling counselor by a nationally recognized certification organization or other qualified provider.
(2)"Gaming Advisory Council" means the gaming advisory council created by 2-15-2021.
(3)"Pathological Gambling" means an impulse control disorder that meets the diagnostic criteria set forth in the diagnostic and statistical manual of mental disorders of the American Psychiatric Association.
(4)"Problem Gambling" means patterns of gambling related behavior that compromise, disrupt, or damage personal, family, and vocational pursuits. The term includes pathological gambling and excessive gambling.
(5)"Problem Gambling Prevention Programs" mean programs designed to reduce the prevalence of problem and pathological gambling among Montana residents. Strategies include educational services for the general public and early intervention services for people who may be experiencing gambling related problems.
(6) "Department" means the department of public health and human services provided for in 2-15-2201.

NEW SECTION. Section 4. Effective date. (This act) is effective July 1, 1999.

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